United Nations A/55/5/Add.7

General Assembly

Distr.: General
21 September 2000

Original: English

Fifty-fifth session

Financial report and audited financial statements for the biennium ended 31 December 1999 and report of the Board of Auditors*

United Nations Population Fund

Contents

Chapter		Page
	Abbreviations	3
	Letters of transmittal	4
I.	Financial report for the biennium ended 31 December 1999	6
II.	Report of the Board of Auditors	10
	Summary	10
	A. Introduction	12
	B. Financial issues	14
	C. Management issues	18
	D. Acknowledgement	32
	Annex Follow-up action taken to implement the recommendations of the Board of Auditors in its report for the period ended 31 December 1997	33
III.	Audit opinion	39
IV.	Certification of the financial statements	40
V.	Financial statements for the biennium ended 31 December 1999	41
	Statement I. Income and expenditures and fund balance for the biennium ended 31 December 1999	42

* The present document is an advance version of the reports, which will be issued in final form as *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5G* (A/55/5/Add.7).

00-65141 (E) 031100

Statement II. Assets, liabilities and reserves and fund balances as at 31 December 1999 44

Statement III. Overview: statement of cash flows for the biennium ended 31 December 1999 48

Statement IV. Movement in resources balances for the biennium ended 31 December 1999 .. 50

Schedule 1. Regular resources: status of voluntary contributions pledged as at 31 December 1999 52

Schedule 2. Regular resources: other income and expenditure for the biennium ended 31 December 1999 55

Schedule 3. Regular resources: programme expenditure by executing agencies for the biennium ended 31 December 1999 56

Schedule 4. Regular resources: unspent allocation of project costs as at 31 December 1999 58

Schedule 4.1. Regular resources: unspent allocation of technical support services as at 31 December 1999 59

Schedule 5. Biennial support budget for the biennium ended 31 December 1999 60

Schedule 6. Trust funds: statement of account for the biennium ended 31 December 1999 61

Schedule 7. Investments as at 31 December 1999 66

Notes to the financial statements 67

Abbreviations

AGFUND	Arab Gulf Fund for United Nations Development Organizations
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
IBRD	International Bank for Reconstruction and Development
ILO	International Labour Organization
IPPF	International Planned Parenthood Federation
PSI	Population Services International
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development
WHO	World Health Organization

Letters of transmittal

20 July 2000

Sir,

Pursuant to UNFPA financial rule 116.2 (b), I have the honour to submit the financial statements of the United Nations Population Fund for the biennium ended 31 December 1999, which I hereby approve.

Copies of this statement are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Nafis **Sadik**
Executive Director of the
United Nations Population Fund

The Chairman of the Board of Auditors
United Nations
New York

28 July 2000

Sir,

I have the honour to transmit to you the financial statements of the United Nations Population Fund for the biennium 1998-1999 ended 31 December 1999, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

Chapter I

Financial report for the biennium ended 31 December 1999

1. The Executive Director of the United Nations Population Fund (UNFPA) has the honour to submit herewith the financial report of the Fund for the biennium 31 December 1999.

2. UNFPA is submitting its accounts for 1998-1999 in conformity with the changes in financial procedures of UNFPA approved by the General Assembly in paragraph 6 of its resolution 45/235 of 21 December 1990. The accounts consist of four statements supported by seven schedules and accompanied by notes that are an integral part of the financial statements, and also cover the UNFPA trust funds established for population activities by the Executive Board of the United Nations Development Programme (UNDP)/UNFPA or by the Executive Director.

3. The submission of the biennial accounts is made in conformity with regulation 16.1 of the UNFPA Financial Regulations approved by the Governing Council at its thirty-seventh session in decision 90/36, paragraph 7.

Executing agency accounts

4. In accordance with UNFPA financial regulation 17.1 (b), the UNFPA financial statements incorporate the data obtained from the biennial accounts of the executing agencies with regard to the status of funds allocated to them for the execution of UNFPA projects during the biennium 1998-1999.

5. In accordance with recommendations by the United Nations Board of Auditors, UNFPA has agreed to accept a letter of reliance from the organization's auditors in lieu of separately audited statements of UNFPA funds administered by United Nations agencies.

6. The United Nations Board of Auditors are the external auditors of UNFPA as well as the auditors of the United Nations regional economic commissions and other United Nations organizations and programmes that execute projects funded by UNFPA. These are as follows:

United Nations

Economic Commission for Africa (ECA)

Economic Commission for Europe (ECE)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic and Social Commission for Western Asia (ESCWA)

United Nations Children's Fund (UNICEF)

United Nations Development Fund for Women (UNIFEM)

United Nations Office for Project Services (UNOPS)

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

The Board has indicated that in respect of the United Nations organizations and programmes listed above, it will not issue a separate audit opinion on the programme expenditures and programme support costs funded by UNFPA.

7. Should any changes be reported in the audited accounts of the United Nations organizations and programmes executing projects funded by UNFPA, UNFPA will report on the changes to the General Assembly and to the UNDP/UNFPA Executive Board at subsequent sessions. The Executive Director will submit to a subsequent session of the Executive Board copies of the audited statements and audit reports, if any, of the United Nations executing agencies and copies of any relevant resolutions adopted by their governing bodies, as required under UNFPA financial regulation 17.1 (b).

Financial status of the Fund

8. As shown in statement II, as at 1 January 1998, the balance of General Fund resources and reserves was $79.5 million. During 1998-1999, UNFPA received income of $532.9 million, which includes cost-sharing income of $7.9 million, and had expenditures of $581.8 million, which resulted in an excess of expenditure over income of $48.9 million, as shown in statement I.

9. Statement II shows that, as at 31 December 1999, the balance of General Fund resources and reserves was $31.4 million.

Programme expenditure and administrative and programme support services expenditure

10. At its annual session held in New York in June 1997, the Executive Board gave the Executive Director programme expenditure authority of $278 million for 1998 (decision 97/11, **para.** 2). The Executive Board, at its annual session in Geneva in June 1998, gave the Executive Director a programme expenditure authority of $263 million for 1999 (decision 98/11, **para.** 2). Thus, the programme expenditure authority for the biennium 1998-1999 totalled $541 million. As shown in schedule 4, total year-end allocations to projects for 1998-1999 were $461.9 million, of which $107.5 million represented unspent allocations brought forward from 1997. The unspent allocations as at 31 December 1999 amounted to $58.1 million and for future years, $340.3 million. In addition, as shown in schedule 5, net appropriations for the 1998-1999 biennial support budget totalled $127.5 million, as approved by the Executive Board at the third regular session in 1997 (decision 97/26). The unencumbered balance as at 31 December 1999 was $9.1 million.

11. The breakdown of 1998-1999 expenditure is shown in statement I. It comprised $454.9 million for programme expenditure, including technical support services, administrative and operational services and UNFPA support costs, and $118.4 million for the biennial support budget (administrative and programme support services), after credits of $14.9 million earned for programme support services were taken into account. The administrative and programme support services expenditure included $65.5. million relating to field programme support (see schedule 5).

12. In 1998-1999, the ratio of project expenditures to year-end project allocations was 87.4 per cent, compared with 80.0 per cent for the previous biennium. A summary breakdown of this expenditure is as follows (millions of United States dollars):

Executing agencies	*Amount*	*Percentage of total*
United Nations executing agencies	39.4	9.7
Governments	122.2	30.3
UNFPA[a]	172.8	42.8
Non-governmental organizations	69.4	17.2
Total	**403.8**	**100.0**

[a] UNFPA-executed projects include procurement assistance by the UNFPA headquarters Procurement Unit in respect of government projects amounting to $58.6 million.

In the biennium 1998-1999, the ratio of technical support services expenditure to approved budget was 90.3 per cent. The administrative and programme support services expenditure against the 1998-1999 appropriation was 92.8 per cent.

Status of operational reserve

13. The operational reserve was established by the Governing Council in January 1973 at the $20 million level to guarantee the financial viability and integrity of the UNFPA programme. At its thirty-eighth session, in decision 91/36, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of general resources income for each year of the UNFPA work plan and that it would review the level of the reserve every other year. As at 31 December 1999, the operational reserve was reduced to the level of $50 million. Owing to the shortfall in resources in the 1998-1999 biennium, UNFPA drew down from the operational reserve by $26 million, leaving a balance of $24 million (statement II.1).

Liquidity position

14. As at 31 December 1999, UNFPA had bank balances in convertible currencies and time-deposit investments amounting to $124.1 million, which included $4 million of time-deposit investments of the reserve for field accommodation, $24 million of time-deposit investments of the operational reserve and $46.2 million belonging to UNFPA trust funds (see statement II and schedule 7). The investments reported in statement II and in schedule 7 were recorded at the United Nations operational rate of exchange in effect on 31 December 1999.

Trust funds

15. Schedule 6 shows the statement of account for the biennium 1998-1999 of the trust funds established by the Executive Director for multilaterally and bilaterally funded programmes, procurement services and other special population activities.

The unexpended balance of the trust funds as at 1 January 1998 was $47.9 million. Contributions received from Governments and other sources during 1998-1999 totalled $122.7 million. In addition, interest and miscellaneous income amounted to $4.0 million. The total amount available for programming in 1998-1999 was $174.6 million. Total programme expenditure, including support costs, was $112.9 million, leaving an unexpended balance of $61.7 million as the opening balance for 2000.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Population Fund (UNFPA). The Board has audited the financial statements for the biennium ended 31 December 1999 and conducted management audits covering project management and procurement.

The Board's main findings are as follows:

(a) The Fund's regular resources expenditure of $575.9 million exceeded income of $524.9 million by $ 51.0 million;

(b) UNFPA uses the accounting and treasury services of UNDP. Although UNDP had planned for the Integrated Management Information System to go live on 1 January 1999, this was delayed until April 1999. The majority of the UNFPA expenditure data was only entered onto the system from October 1999. The delays in recording transactions led to weaknesses in financial control during 1999;

(c) UNFPA had not received audit reports from Governments and non-governmental organizations in respect of programme expenditure totalling $98.3 million for the biennium 1998-1999. The Board had therefore restricted the scope of its audit opinion to exclude this expenditure. The proportion of national execution and non-governmental organization expenditure covered by audit reports decreased from 70 per cent in 1996-1997 to 50 per cent in 1998-1999;

(d) In 9 of the 12 completed projects examined, the executing agencies had failed to deliver all their planned outputs. Four projects, on which UNFPA had spent $24.9 million by the end of 1999, fell significantly short in their deliveries;

(e) Poor project design hampered the effective measurement of the impact of projects. In four cases involving expenditure totalling $37.4 million, project evaluators found that limitations in the design of the project prevented them from properly assessing the impact of the projects or whether they had achieved their objectives;

(f) For 1998, UNFPA raised more than half of its 1,487 purchase orders in four months of the year and just over a quarter in the last month alone. The country offices raised 92 per cent of the procurement requests in the last four months, despite senior management's repeated requests to phase requirements over the year. The same pattern had occurred in 1996 and 1997;

(g) In four cases involving a total amount of $1.36 million, the requisitioning units carried out their own procurement, including identifying potential suppliers, obtaining bids or quotations and assessing bids received. This contravened UNFPA financial regulations;

(h) UNFPA did not routinely monitor deliveries; did not follow up with suppliers who had not delivered, nor monitor the receipt of receipt and inspection reports.

The Board made recommendations that UNFPA improve accountability, tighten budgetary controls, strengthen project management and establish better procurement planning and management information.

A list of the Board's main recommendations is included in paragraph 11 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Population Fund (UNFPA) for the period from 1 January 1998 to 31 December 1999. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1998 to 31 December 1999 had been incurred for the purposes approved by the governing bodies; whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFPA presented fairly the financial position as at 31 December 1999. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNFPA. The Board examined the Fund's project management and procurement during the biennium 1998-1999.

4. The Board continued its practice of reporting the results of specific audits in management letters, providing detailed observations and recommendations to management.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations on all matters contained in the present report were communicated to UNFPA, which confirmed the facts on which the Board's observations and conclusions are based and provided explanations and answers to the Board's queries.

6. A summary of the Board's recommendations is contained in paragraph 11 below. Detailed findings are set out in paragraphs 13 to 91.

7. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the Assembly subject to the provisions contained in the resolution. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753), included the following main elements:

(a) The need for specification of timetables for the implementation of recommendations;

(b) The disclosure of office-holders to be held accountable;

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

The Board noted that UNFPA had generally complied with those requirements.

1. Previous recommendations not fully implemented

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by UNFPA to implement the recommendations made in its reports for the biennium ended 31 December 1995 and earlier, and confirms that, except for the recommendation noted below, there are no outstanding matters.

9. In its report on the biennium 1992-1993,[1] the Board of Auditors recommended that all procurement requests be channelled through the Procurement Unit. In its report covering the biennium 1996-1997,[2] the Board found that UNFPA had failed to comply with the recommendation. In 1998-1999, the Board found further examples where UNFPA had failed to channel procurements requests through the Procurement Unit. Details of these failures are included in the present report.

10. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by UNFPA to implement the recommendations made in its report for the period ended 31 December 1997. Details of the action taken and the comments of the Board are set out in the annex to the present report.

2. Main recommendations of the Board contained in the present report

11. The Board recommends that:

(a) UNFPA set expenditure ceilings within the expected level of income and apply them rigorously in the allocation of authority to incur expenditure (para. 21);

(b) Until its operational reserve is restored to at least $50 million, UNFPA operate over the biennium on a fully funded basis, limiting expenditure allocations to the level of actual income received (para. 22);

(c) Require field offices to prepare annual plans, identifying which projects will be subject to external audit and coordinate these plans at UNFPA headquarters to ensure that the organization has planned a sufficient level of coverage (para. 29);

(d) Closely monitor trust fund income and expenditure to ensure that it does not obligate expenditure without having sufficient funds available (para. 35);

(e) Make use of its criteria for assessing technical and managerial capacity mandatory in selecting executing agencies; and require that project

[1] *Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5G* (A/49/5/Add.7).

[2] Ibid. *Supplement No. 5G* (A/53/5/Add.7).

documents contain clear assessments of executing agencies' capacities and specifically address any identified weaknesses (para. 45);

(f) Strengthen the management and monitoring of its projects at the design phase by incorporating baseline information; qualitative and quantitative performance indicators; and an explanation of how the executing agency will collect performance data in the course of projects (para. 51);

(g) Require headquarters units and country offices to provide the headquarters Procurement Unit with detailed annual procurement plans (para. 64);

(h) Require divisional directors and chiefs of offices to confirm that substantial procurement is routed through the Procurement Unit, before certifying procurement requests (para. 70);

(i) Develop a process for formally recording and monitoring suppliers' performance (para. 74);

(j) Remind all country offices of the need to submit receipt and inspection reports within three weeks of delivery for all goods procured by headquarters (para. 79);

(k) Make every effort to recover the overpayment of up to $1.8 million from the contractors once its final value has been verified (para. 91).

12. The Board's other recommendations are set out in paragraphs 15, 17, 33, 34, 55, 57, 59 and 81.

B. Financial Issues

1. United Nations accounting standards

13. The Board assessed the extent to which the UNFPA financial statements for the biennium ended 31 December 1999 conform to the United Nations accounting standards. The review indicated that the presentation of the financial statements is generally consistent with the standards, with two exceptions, as detailed below.

14. First, UNFPA did not make specific disclosure in the financial statements of the amount of liability for end-of-service and post-retirement benefits and annual leave indicating the basis of valuation, as required under paragraph 57 of the United Nations accounting standards.

15. **The Board recommends that UNFPA arrange for an actuarial valuation and disclose in the financial statements the value and basis of valuation for end-of-service and post-retirement benefits.**

16. Second, in the notes to the financial statements, UNFPA reported only non-expendable equipment held by field offices and did not disclose the value of non-expendable project equipment. Furthermore, in its report on the UNFPA financial statements for the biennium 1996-1997,[2] the Board commented that Governments and non-governmental organizations did not always meet the requirement set out in the Finance Manual to submit annual non-expendable property reports to UNFPA. While some field offices submitted returns for 1998-1999, they represented only a small proportion of the offices with ongoing projects.

17. **The Board recommends that UNFPA ensure that it discloses the value of all non-expendable equipment in the notes to the financial statements; and that UNFPA further encourage executing agencies to provide annual reports on non-expendable property held.**

2. Financial position

18. As shown in statement 1, UNFPA's regular resources expenditure of $575.9 million exceeded income of $524.9 million by $51.0 million. As a result, UNFPA had to draw on its reserves. It funded $12 million of the deficit from unexpended resources in previous bienniums and transfers from other funds, and the remaining $39 million from the operational reserve. This represents a significant worsening of the financial position from 1996-1997, when UNFPA had a net excess of expenditure over income of $5.5 million.

19. In January 1998 and January 1999, UNFPA reduced the level of its operational reserve in accordance with instructions set out by the Governing Council. The reserve was reduced from $63 million at 1 January 1998 to $50 million, thereby providing UNFPA with an additional $13 million of working capital. The Fund informed the Executive Board of those reductions during its meetings of April 1999 and June 2000. At the end of 1999, UNFPA had to draw down a further $26 million from the reserve, leaving the reserve with a balance of $24 million (4 per cent of biennial expenditure).

20. Much of the excess of expenditure over income was owing to the organization's declining income base. Voluntary contributions to regular resources fell from $590 million in 1996-1997 to $514 million in 1998-1999. During 1998-1999, the Executive Director amended the annual expenditure ceiling as the income forecast changed. The Board noted, however, that divisions sometimes made allocations of up to 180 per cent of this amount, which led to expenditure exceeding income.

21. The Board is concerned at the declining level of the operational reserve and notes that the current balance of $24 million is not sufficient to fund further deficits of the level incurred in the biennium 1998-1999. For 2000, the Executive Director has instructed divisions that allocations must not exceed 110 per cent of the expenditure ceiling before 15 September 2000. The Board considers that this still leads to a risk that UNFPA expenditure will exceed its income. **The Board recommends that UNFPA set expenditure ceilings within the expected level of income and apply them rigorously in the allocation of authority to incur expenditure.**

22. The Board is also concerned at the deteriorating financial position of UNFPA. **The Board recommends that, until its operational reserve is restored to at least $50 million, UNFPA operate on a fully funded basis over the biennium, limiting expenditure allocations to the level of actual income received.**

3. Audited annual statements from national Governments and non-governmental organizations

23. UNFPA includes in its financial statements details of expenditures incurred on its behalf by executing agencies, which include United Nations agencies, Governments and non-governmental organizations. UNFPA based this information

on expenditure statements provided by the executing agencies. Under the UNFPA Financial Regulations and Rules, the external auditors of the executing agencies concerned are required to audit these statements annually. In the biennium 1998-1999, executing agencies, including Governments, United Nations agencies and non-governmental organizations, incurred $264 million of programme expenditure under these arrangements.

24. The Board of Auditors relies on the reports of these external auditors to gain assurance that the funds advanced by UNFPA to executing agencies, and reported in the Fund's financial statements, have been properly expended on UNFPA projects.

25. As at the date of finalization of the Board's report, UNFPA had not received audit reports from Governments and non-governmental organizations in respect of programme expenditure totalling $98.3 million for the biennium 1998-1999. UNFPA had included this expenditure in its financial statements but, owing to the absence of audit reports, there was insufficient evidence to allow the Board of Auditors to form an audit opinion on it. The Board has therefore restricted the scope of its audit opinion to exclude this expenditure.

26. The Board restricted the scope of its opinion on the UNFPA financial statements for the biennium 1996-1997 to exclude programme expenditure totalling $83.1 million, compared with a scope restriction of $98.3 million for 1998-1999. This represents an increase in absolute terms of $15.2 million between the two bienniums. The Board also notes that the proportion of nationally executed expenditure and expenditure executed by non-governmental organizations covered by audit reports decreased from 70 per cent in the biennium 1996-1997 to 50 per cent in 1998-1999. The Board is concerned at the worsening of the position regarding audit reports on programme expenditure, which has meant that UNFPA has no direct evidence to support half of the nationally and non-governmental organization-executed expenditure for the biennium 1998-1999.

27. Since the Board's report on the 1996-1997[2] financial statements, UNFPA has only received audit reports for a further $7.6 million of 1996-1997 expenditure and, as a result, the Board has received no evidence to support the remaining $75.5 million of expenditure.

28. UNFPA has indicated that it intends to revise the rules governing audit reports of executing agencies' expenditure and to only require audits at least once in the lifetime of a project, rather than annually. While this may reduce the administrative burden of obtaining the audit reports, the Board is concerned that this will further reduce the level of annual assurance provided to UNFPA.

29. **The Board recommends that UNFPA continue to require annual audit reports of executing agencies' expenditure. The Board further recommends that UNFPA require its field offices to prepare annual plans, identifying which projects will be subject to external audit, and that these plans are coordinated by UNFPA headquarters to ensure that the organization has planned a sufficient level of coverage.**

4. Integrated Management Information System

30. As UNFPA uses UNDP's accounting and treasury services, it adopted the IMIS accounting system with effect from 1 January 1999 in line with the transfer by UNDP to the new system. UNFPA faced difficulties similar to those experienced by

UNDP in introducing IMIS. These problems reduced UNFPA ability to effectively manage and control its operations during 1999. In particular, the Board noted that:

(a) There were difficulties in building links between IMIS and the various sub-systems. As a result, UNDP, which processes most of the Fund's accounting transactions, was unable to enter financial data into IMIS. This created a backlog of information, particularly relating to inter-office vouchers and field office imprest expenditure. Although UNDP planned for IMIS to go live on 1 January 1999, this was delayed until April 1999. UNDP was only able to start entering the majority of the UNFPA expenditure data into the system from October 1999;

(b) The delays in recording transactions led to weaknesses in financial control. UNDP, which provides a treasury management function for UNFPA, was unable to perform regular or timely bank reconciliations throughout 1999. Such reconciliations are a fundamental financial control, and their absence increases the risk of financial loss to UNFPA;

(c) The information backlog, and problems with designing an interrogation package, prevented UNFPA from producing timely or accurate reports, both for internal management and for funding bodies and donors.

(d) The lack of regular financial reports meant that UNFPA was unable to reconcile income received to the detailed list of pledges made to the organization. As a result, as at 30 June 2000, UNFPA had not matched $1.3 million of income in its bank account to the pledges recorded.

(e) The problems prevented UNFPA from presenting its financial statements for the biennium 1998-1999 to the Board by 30 April 2000, as required under financial rule 16.3. In fact, UNFPA only formally transmitted to the Board full financial statements on 21 July 2000 and provided advance copies in draft form on 21 June 2000. These problems substantially delayed the Board's audit of UNFPA's financial statements.

31. These problems weakened the financial control systems and reporting abilities of UNFPA during 1999. While the Board recognizes that many of the problems were related to the process of implementing the Integrated Management Information System (IMIS). Compared to the previous accounting system, IMIS potentially offered UNFPA many advantages in terms of gathering, presenting and reporting financial information.

5. Reserve for field accommodation

32. In 1991, the Governing Council (now the Executive Board) approved the establishment of a reserve for field accommodation to finance the UNFPA share of construction costs of common premises. In 1994, UNFPA advanced $1 million to UNDP but delayed recording any expenditure in view of ongoing discussions with UNDP on the Fund's final share of the costs.

33. The Board has monitored the progress of the negotiations between UNFPA and UNDP and is concerned over the length of time taken to resolve the matter. **Given the fact that the advance has remained outstanding for six years, the Board recommends that UNFPA take action to bring the matter to a conclusion.**

6. Funding of country offices

34. At present, country offices requiring cash replenishment directly request the funds from the UNDP Treasury. Although each office has its own expenditure ceiling, there are no measures in place to restrict the offices' ability to obtain cash after they have exceeded the ceilings. These procedures do not encourage strong financial control or proper monitoring. **The Board recommends that all quarterly requests from country offices for cash replenishment be approved by the Director of Finance, Administration and Information Management Systems, to ensure that country offices do not exceed their expenditure ceilings.**

7. Trust funds

35. Two of the UNFPA trust funds had negative balances totalling $84,000 as at 31 December 1999. UNFPA financial regulation 5.2 requires all trust fund activities to be initiated only on a fully funded basis. **The Board recommends that UNFPA closely monitor trust fund income and expenditure to ensure that it does not obligate expenditure without having sufficient funds available.**

8. Write-off of losses of cash, receivables and property

36. UNFPA reported to the Board of Auditors three cases where it had written off vehicles with a total value of $71,940 because of theft. It had also written off 32 other assets valued at $9,990, and $3,487 of receivables due from 11 consultants.

9. Ex gratia payments

37. UNFPA reported no ex gratia payments during the period.

C. Management issues

1. Project design and execution

Introduction

38. In the biennium 1998-1999, UNFPA spent $326 million, or 72 per cent of its programme expenditure, on providing agencies with funds to implement country programmes and associated subprogrammes and projects related to population management. These agencies included Governments, non-governmental organizations and other United Nations organizations.

39. The Board examined 12 completed country projects to assess the factors that had affected delivery of outputs and achievement of objectives. All the projects had revised budgets of over $3 million, which had been due to start between 1993 and 1995 and their initial and revised budgets totalled $65 million and $86 million, respectively. Total expenditure on the projects by the end of 1999 was $81 million, including $14.9 million in 1998-1999.

40. The Board also examined a selection of 22 projects that started in 1998 to determine whether UNFPA had followed its revised procedural and financial guidelines, whether it had addressed the factors that had adversely affected the older projects and whether it had taken into account the results of the evaluation of execution modalities. In addition, as part of a follow-up to its report on the biennium

1996-1997, the Board examined a subsample of 13 of these projects to establish whether UNFPA had complied with its own financial procedures, particularly with regard to advances.

Design factors affecting delivery

41. The Board found that, in 9 of the 12 completed projects examined, the executing agencies had failed to deliver all their planned outputs. Four projects, on which UNFPA had spent $24.9 million by the end of 1999, fell significantly short in their deliveries, owing to the reasons set out in box 1.

Box 1
Failure to deliver the planned volume of outputs

Project 1: $3.03 million spent

This project aimed to develop a country's capacity to deliver contraceptives, but did not succeed in building the necessary long-term logistic capability. External consultants noted that the executing agency lacked commitment to the project and the managerial expertise to carry it out. It failed to nominate people for logistics training, appoint senior project officials, commission research or set up provincial warehouses.

Project 2: $7.7 million spent

This project planned to deliver a range of outputs that would strengthen a national reproductive health programme. It did not deliver all the expected outputs because the executing agency lacked sufficient institutional capacity and capability and had not developed a strategic approach to national capacity-building.

Project 3: $7.03 million spent

A project to strengthen a country's locally based reproductive health services failed to increase the level of contraceptive distribution as expected. This was owing to poor communications and logistics, as well as the executing agency's poor monitoring of local activities.

Project 4: $7.11 million spent

Delays in the disbursement of funds by the executing agency inhibited the start of project activities. Training activities for 1,000 traditional birth attendants were delayed by over a year. Only 58 out of a planned 258 reproductive health trainers were actually trained during the lifetime of the project.

42. The Board considers that, in the cases noted above, UNFPA had not fully assessed the ability of the executing agencies to manage large-scale projects. Similarly, in its 1997 evaluation of execution modalities, UNFPA found that both it and national Governments frequently overestimated the capacity of national

institutions and international executing agencies to manage projects. UNFPA concluded that a balance needed to be struck between the objectives of a project and the real capacity of the Government and other partners to execute it.

43. Accordingly, UNFPA decided to conduct a systematic assessment of the strengths and weaknesses of potential executing agencies. It developed a set of criteria for assessing the technical and managerial capacity of such agencies, but its use was not mandatory. The Board considers that UNFPA should routinely use these criteria to identify suitable executing agencies. Where the choice of agencies is limited, UNFPA should use the criteria to identify an agency's weaknesses before the start of the project, in order to allow it to address any problems in the project design.

44. The Board found that, although in eight cases the project document included an affirmation of the executing agency's suitability for the project, none included an assessment of the executing agency's capabilities, as required under the guidelines.

45. **The Board recommends that UNPFA make use of its criteria for assessing technical and managerial capacity mandatory in selecting executing agencies; and that UNFPA require that project documents contain clear assessments of executing agencies' capacities and specifically address any identified weaknesses.**

Design factors affecting the measurement of impacts

46. The Board noted that poor project design hampered the effective measurement of the impact of projects. In the four cases shown in box 2 below, involving expenditure totalling $37.4 million, project evaluators found that limitations in the design of the project prevented them from properly assessing the impact of the projects or whether they had achieved their objectives.

47. These problems arose primarily because the project design did not always include quantifiable criteria or a means of evaluating whether activities achieved their purpose. In project 1, for example, the consultant had difficulty assessing the contribution that training activities made to the project, because the project did not collect data to determine:

Box 2
Weaknesses in project design which limited assessment of impact

Project 1: $20.8 million spent

The project evaluation found that it was difficult to determine the impact of particular activities because implementation had been scattered throughout the country. This approach to project implementation severely limited the possibility of measuring the outcome and impact of project activities.

Project 2: $4.3 million spent

There was no data to assess the outcomes of the interventions undertaken. The management information system and reproductive health indicators were only pilot tested and finalized at the end of the project.

Project 3: $5.2 million spent

The project evaluation found that direct evaluation of the impact of this project on mortality rates and other expected outcomes was not possible. This would have required an evaluation design and valid baseline data, initiated at project launch, with adequate measures to assess the impact of other interventions operating in the country.

Project 4: $7.1 million spent

In the absence of concrete indicators, it was difficult to assess the extent to which the project had met some of the quantitative objectives set out in the strategy.

(a) Whether those who were trained actually used the knowledge and skills learned;

(b) The extent to which staff trained as trainers had actually participated in training activities;

(c) The extent to which staff who participated in study tours had used the knowledge gained.

48. The Board was concerned that UNFPA had been unable to measure clearly the impact of the $37.4 million spent on these four projects, despite its earlier efforts, in 1997, to develop new programme formulation guidelines requiring project documents to contain measurable objectives and indicators, as well as proposals for the collection of baseline data.

Project formulation

49. In its review of 22 projects that UNFPA started in 1998, the Board found weaknesses in project formulation which are summarized in box 3 below.

Box 3
Weaknesses in project formulation

Absence of baseline data

Fifteen projects had no baseline data to quantify the project's expected impact and added value.

Lack of objectively verifiable indicators

Six of the projects lacked objectively verifiable indicators both for the quantity and quality of the outcomes, effectively preventing UNFPA from measuring the impact of these projects and evaluating their success.

Lack of quality indicators

Twenty projects did not define qualitative indicators. For example, a project document would refer to training, but not define the level to be reached or how the trainees were to be tested to see if the training had been successful.

Lack of reliable data on the scale of the problems to be addressed

Four projects included little data on the extent of the problem to be tackled and six others included provision for collecting baseline data as part of the project. In 10 projects, UNFPA was therefore unsure about the full scale of the problems before the projects started.

Lack of clarity concerning target areas for UNFPA support

Eight project documents did not include sufficient information about the project's target areas resulting in a lack of clarity on the scope of the project.

50. If projects do not define qualitative and quantitative outputs, or do not provide the baseline data needed to measure the outputs, UNFPA is prevented from properly evaluating the actual progress and achievements of the projects. Further, without such information, it is difficult for UNFPA to demonstrate the success of its projects or the added value which they have provided.

51. **The Board recommended, and UNFPA agreed, that it should strengthen the management and monitoring of its projects at the design phase by incorporating baseline information; qualitative and quantitative performance indicators; and an explanation of how the executing agency will collect performance data in the course of projects.**

Advances of funds to executing agencies

52. Under financial rule 114.7, UNFPA may make advances to executing agencies to cover reasonable disbursements that the agency might have to make when implementing a project. The UNFPA Finance Manual requires that the first advance represent no more than four months' anticipated expenditure. UNFPA field offices are required to check the justification provided by the agency for the funding request and assess its consistency with the project's approved annual work plan. In its report on the biennium 1996-1997, the Board drew attention to the over-advancing of funds in contravention of the UNFPA Financial Regulations and Rules. In November 1998, UNFPA brought this to the attention of UNFPA representatives in a circular.

53. The Board examined 13 projects that started in 1998, to which UNFPA had made initial advances of over $100,000 each. In 11 of these projects, with advances totalling $3.94 million, the Board found that the initial amount of advance represented between 54 per cent and 100 per cent of the 1998 budget. In 7 of these 11 projects, the outstanding advances at the end of 1998 still represented a large percentage of the 1998 budget (from 50 to 90 per cent). A striking example of an advance in excess of 90 per cent of the total budget is shown in box 4.

Box 4

Advance in excess of 90 per cent of total budget

One project, due to start in May 1998, had an initial advance of $572,500, or 91 per cent of the 1998 budget of $632,000. An amount of $480,000 from the 1998 budget was for construction costs, $80,000 for equipment and the rest for training and salary costs. Ten clinics over three years and a hostel in the first year, were to be built. Construction costs were to be paid by way of stage payments as work progressed.

The agency submitted the first disbursement report (for $309,000) in October 1998, when UNFPA made a further advance of $58,300.

54. The Board considers that an executing agency should not require large sums at the start of a project.

55. **The Board recommended, and UNFPA agreed, that it should establish a management information system for controlling advances to projects.**

Project documents not signed

56. The UNFPA Financial Regulations stipulate that UNFPA only formally approves assistance to a project after the project document is signed by UNFPA, the Government and, where necessary, the executing agency. UNFPA should not, therefore, make advances to an executing agency before all parties have signed a project document. In 3 of the 22 projects examined by the Board, the project document was not signed and, in 2 of those cases, UNFPA had advanced funds. Although in one of the cases, the executing agency had signed a letter of understanding, this did not provide a formal basis for UNFPA funding.

57. The Board is concerned that UNFPA representatives did not always follow UNFPA Regulations and Rules on this matter. **The Board recommended, and UNFPA agreed, that UNFPA should not make advances before all parties have signed the project documents.**

Lack of final project reports

58. UNFPA requires executing agencies to produce a final project report. The Board was unable to find final reports, or suitable alternatives, for 7 of the 12 completed projects.

59. The Board considers that final reports are essential to the monitoring and evaluation process and **recommends that in all cases UNFPA ensure that agencies submit final project reports or suitable alternatives.**

2. Procurement

Introduction

60. In the biennium 1998-1999, total expenditure by UNFPA on procurement was $157 million, as indicated in table 1.

Table 1
Procurement expenditure in the biennium 1998-1999

	Expenditure ($ million)	*Percentage*
Procurement undertaken by headquarters Procurement Unit		
Field procurement — equipment and supplies for UNFPA funded projects and UNFPA country offices	65	41
Agency procurement — on behalf of Governments for externally funded projects	56	36
Headquarters procurement — administrative expenditure, publications and audio-visual services for UNFPA headquarters in New York	10	6
Procurement undertaken by country offices — equipment and supplies for UNFPA-funded projects and UNFPA country offices	26	17
Total	**157**	**100**

61. Fifty-nine per cent ($92 million) of the total 1998-1999 expenditure was incurred by the headquarters Procurement Unit on contraceptives, of which just under 40 per cent related to UNFPA-funded projects. The Procurement Unit purchased the remainder of the contraceptives as agents for Governments' own externally funded projects. A third of the local procurement expenditure was on vehicles and a quarter on electronic data-processing equipment. Much of the remaining expenditure was incurred on leasing premises and local services. An analysis of commodities procured is set out in table 2.

Table 2
Commodities procured in the biennium 1998-1999
(millions of United States dollars)

	$	*Percentage*
Contraceptives	92	59
Vehicles	13	8
Medical equipment and pharmaceutical supplies	15	10
Electronic data-processing equipment	11	7
Publication/printing	6	4
Other	20	12
Total	**157**	**100**

Scope of the audit

62. The Board examined whether UNFPA had properly planned and specified requirements, complied with its regulations and rules on contractual arrangements, and monitored the delivery of goods and services.

Timing of procurement requests

63. For 1998, UNFPA raised more than half of its 1,487 purchase orders in the last four months of the year and just over one quarter in the last month alone. The country offices raised 92 per cent of the procurement requests in the last four months, despite senior management's repeated requests to phase requirements over the year. The same pattern had occurred in 1996 and 1997.

64. The Board is concerned that country offices have not improved either the timing of their procurement requests or their forward planning of procurement requirements. **The Board recommended, and UNFPA agreed, that UNFPA should require headquarters units and country offices to provide the headquarters Procurement Unit with detailed annual procurement plans.**

65. UNFPA considered that this recommendation would substantially improve procurement operations and allow the Procurement Unit to aggregate requests for similar products, thus leading to fewer, but more substantial, bidding exercises. UNFPA also considered that this would reduce the workload of the Unit and, in some instances, result in more competitive pricing. UNFPA intends issuing an administrative directive requesting that country offices and headquarters' operational units comply with this new procedure.

Compliance with UNFPA regulations and rules

Headquarters Contracts Review Committee

66. UNFPA established the headquarters Contracts Review Committee to review proposed contracts and make appropriate recommendations to the Deputy Executive Director (Policy and Administration) for approval. The Procurement Unit is required to refer to the Committee any contract with a single vendor with a value greater than $70,000 or any contract in excess of $30,000, that had been subject to a waiver of

competitive bidding. UNFPA increased the limit of $70,000 to $100,000 from 31 December 1999, in line with UNDP levels.

67. The Board reviewed the 126 procurement requests submitted to the headquarters Contracts Review Committee in the biennium 1998-1999. The Committee recommended that the Deputy Executive Director approve all the requests, including 37 cases, with a total value of $13 million, where the Unit sought approval for a waiver of competitive bidding and 9 cases valued at just over $1 million where ex post facto approval was sought. The Board was generally satisfied that UNFPA had adhered to its Financial Regulations and Rules.

68. In four cases examined by the Board, individual units had bypassed the headquarters Procurement Unit and had failed to comply with the UNFPA Financial Regulations and Rules. Three of the cases involved the Information and External Relations Division and the fourth related to the Technical and Policy Division. The value of three of the cases was $0.16 million, the fourth involved procurement expenditure of at least $1.2 million and is detailed in box 5 below.

Box 5

The Hague Forum, February 1999: procurement and control weaknesses

In February 1999, the UNFPA Information and External Relations Division organized an international forum at The Hague as part of a project to review and appraise the implementation of the Programme of Action of the International Conference on Population and Development. At the time of the audit, UNFPA had not prepared a final cost statement for the Forum, but estimated the procurement expenditure as at least $1.2 million.

The Information and External Relations Division failed to follow UNFPA Regulations and Rules and established procedures, in that it:

(a) Did not prepare estimates for the Forum's costs; as a result, UNFPA was unable to monitor expenditure;

(b) Undertook procurement activities directly, without involving the Procurement Unit;

(c) Did not obtain competitive bids;

(d) Entered into a contractual agreement without proper authority and without review by the Contracts Review Committee;

(e) Did not establish controls over the number of delegates attending the Forum, resulting in increased accommodation, travel and other costs.

From November 1998, the UNFPA Procurement Unit became involved in negotiating proper contract arrangements, which resulted in some cost savings and a financial limit on the cost. The Contracts Review Committee required the Information and External Relations Division to identify the lessons learned from failings.

69. In all the four cases, the requisitioning units carried out their own procurement, including identifying potential suppliers, obtaining bids or quotations and assessing bids received. This contravened UNFPA financial regulations, which state that only officers authorized by the Deputy Executive Director have authority to conduct procurement. It also seriously weakened controls designed to ensure effective competitive bidding, maximize economy and efficiency and minimize the risk of fraud. In order to maintain a clear separation of functions, the responsibility for the identification of potential suppliers and all subsequent procurement activity should rest with the Procurement Unit.

70. In its reports on the UNFPA financial statements for the bienniums 1992-1993 and 1996-1997, the Board noted the significant number of cases where units bypassed the Procurement Unit, including two examples involving the Information and External Relations Division. The Board is concerned to see, therefore, that this Division again failed to comply with the UNFPA regulations and rules on procurement. **The Board recommends that UNFPA require certifying officers to confirm that procurement is routed through the Procurement Unit, before certifying procurement requests**.

Long-term pricing agreements

71. In the biennium 1998-1999, UNFPA spent $91 million, or 58 per cent of its procurement expenditure, on goods purchased through long-term pricing agreements. This mainly related to the purchase of contraceptives where it was not always possible to find a sufficient number of suppliers who could deliver products in the quantity and quality required.

72. The Board noted that UNFPA had built up a broad knowledge of the international contraceptive market and was well aware of potential sources of supply, public sector prices and quality considerations. The Board reviewed the procedures for negotiating the price agreements and welcomes UNFPA efforts to secure reasonable prices, while ensuring that the agreements were in compliance with UNFPA regulations and rules.

Delivery of goods and services

Monitoring suppliers' performance

73. The Board noted that UNFPA only systematically monitored deliveries when it had undertaken procurement for another agency using external funds. For its own procurement actions, UNFPA failed to: routinely monitor deliveries; follow up with suppliers who had not delivered; monitor the receipt of receipt and inspection reports. Furthermore, UNFPA did not systematically evaluate other aspects of the quality of service provided by suppliers, such as compliance with contract conditions, timeliness of delivery, accuracy and reliability of deliveries or number of complaints. During 1999, UNFPA introduced a system for monitoring contraceptive suppliers but did not extend this to other suppliers.

74. With little reliable information on previous performance, UNFPA was unable to properly consider quality issues when assessing bids from existing suppliers. **The Board recommended, and UNFPA agreed, that UNFPA should develop a process for formally recording and monitoring suppliers' performance**. UNFPA

has informed the Board that it has extended to other suppliers the vendor performance system it introduced for contraceptive suppliers.

Decentralized procurement by country offices

75. UNFPA authorized its representatives to purchase goods and services locally, with the exception of contraceptive commodities. The Fund provided its representatives with a delegated financial limit for local purchases of up to $70,000 per contract and required them to submit all requests exceeding that amount to the headquarters Contracts Review Committee. The limit included any commitment to a single vendor for a requisition, or series of requisitions, for a specific project totalling $70,000 within a six-month period. UNFPA raised the limit to $100,000 from 31 December 1999. Country offices without a UNFPA-appointed representative needed to seek the authorization of the headquarters Procurement Unit for orders over $20,000.

76. In the biennium 1998-1999, country offices submitted 17 proposed contracts, valued at $3.4 million, to the headquarters Contracts Review Committee. The Committee recommended the 12 projects that it considered met UNFPA Financial Regulations and Rules. Three of the other five cases were recommended by the Committee on an ex post facto basis, but the Committee stressed the need for country offices to obtain prior approval in all circumstances.

77. The Committee expressed concern about the remaining two cases. In one case, valued at $0.11 million, the Committee was concerned that the only suppliers to respond to the tender were those nominated by the Government. It recommended that, in order to achieve proper competition in future, the country office should circulate the bid documents as widely as possible, including press advertising. In the remaining case, the country office did not use the headquarters Procurement Unit and thus incurred greater costs than necessary. This case is detailed in box 6 below.

78. UNFPA agreed to remind country offices of the need to seek approval from the Contracts Review Committee for all contracts over the threshold and to seek advice, guidance and comparative costings from the Procurement Unit as a prerequisite to initiating any high value or complex procurement operation. The submission of annual procurement plans, as recommended earlier in the present report, would help ensure that country offices complied with these requirements.

Box 6
Local purchase of communications equipment

A country office submitted a contract to the headquarters Contracts Review Committee for the purchase and installation of communications equipment in three districts at a cost of $360,000. The Procurement Unit advised that, given the size of the contract, it should have been involved from the start and that the office should have brought in a communications expert to evaluate the requirements and oversee the implementation.

The Procurement Unit noted that the office might have achieved savings of approximately $90,000 if the equipment had been subject to an international competitive bid. While this submission covered three districts, the full project covered 22 districts over a period of two to three years. The Procurement Unit calculated that if the country office had sent the full requirement for competitive bidding, UNFPA might have achieved savings of as much as $400,000 against a total project cost of $2.5 million.

As the project needed to go ahead urgently in three districts, the Procurement Unit negotiated a $70,000 cost saving with the local firms. The Committee recommended this contract for approval on condition that a technical expert engaged in the Procurement Unit be closely involved in the procurement for the remaining districts.

Receipt and inspection reports

79. Country offices should complete receipt and inspection reports within three weeks of the delivery of all goods procured by headquarters and forward them to the headquarters Procurement Unit as laid down in the UNFPA procurement procedures. The Board considers that the reports are an important control mechanism and that failure to comply may cause UNFPA financial loss. The Board was concerned to note, therefore, that despite commenting on country offices' failure to submit receipt and inspection reports to headquarters in its report on the UNFPA financial statements for the biennium 1992-1993, some country offices still failed to forward receipt and inspection reports in a timely manner. Accordingly, **the Board reiterates its recommendation that UNFPA remind all country offices of the need to submit receipt and inspection reports within three weeks of delivery for all goods procured by headquarters**. UNFPA concurred with this recommendation and, while it believes that country offices' performance on this matter has improved, it has issued a circular reminding country offices of their obligations. The Procurement Unit will also stress the importance of this issue at future procurement training sessions.

Construction contracts

80. UNFPA increased its expenditure on managed construction projects from $0.5 million in 1995 to $3.6 million in 1999. Total expenditure between 1995 and the end

of 1999 was $10.9 million, of which projects in Ethiopia and Nepal accounted for $4.9 million (45 per cent) and $1.2 million (11 per cent), respectively.

81. Although the procurement procedures required country offices to include locally issued contracts in the annual procurement statistics submitted to the headquarters Procurement Unit, they did not include construction contracts in their returns. In 1998, country offices incurred $3.5 million in construction expenditure, but reported only one construction contract, valued at $118,000, to the Procurement Unit. **The Board recommends that UNFPA remind country offices of the need to include construction contracts in the procurement statistics that they submit to headquarters.**

82. Since 1997, country offices failed to refer at least five construction contracts exceeding $70,000 to the Contracts Review Committee and did not bring the Procurement Unit into the process. For example, one country office let three construction contracts totalling $0.41 million without referring them to the Committee; two in 1997 and one in 1999. Another office signed three construction contracts in 1997. It submitted one to the Committee in 1999 on an ex post facto basis, but did not submit the other two, which had a total value of $0.21 million.

83. The Board also found problems in construction projects executed by Governments on behalf of UNFPA. In one country, an evaluation concluded that construction quality was generally below standard and often violated the specifications laid down in the construction contracts. The pressure on the contractors to meet construction timetables led to deficiencies in the standard of the buildings and in one area, nearly 25 per cent of the centres were either not usable or were not used. A significant number of buildings, including 55 sub-centres, were of such poor quality that the health authorities refused to accept them.

84. The Board also noted that one country office executed a project in which it authorized the Government to select construction companies and sign contracts. Four of these contracts were worth more than $30,000 each, but the Government failed to follow UNFPA standard procedures for contracts of that value and did not seek sealed competitive bids.

85. The Board considers that there is a risk that UNFPA and Governments will not obtain value for money if there are deficiencies in construction work, a concern that UNFPA shares. There is also a high risk of fraud with construction contracts and the Board comments further in the present report on one case of suspected fraud involving construction. Following the Board's observations and a report from the UNFPA Office of Oversight and Evaluation on construction contracts, UNFPA is considering a number of options to strengthen control in this area. UNFPA now also requires that UNFPA representatives submit all proposed construction requirements, regardless of execution modality, for approval by headquarters, upon endorsement of the country programme by the Executive Board. UNFPA is in the process of developing guidelines and establish a monitoring mechanism for construction contracts.

3. Cases of fraud or presumptive fraud

86. UNFPA reported four cases of fraud or presumptive fraud to the Board of Auditors. UNFPA has yet to complete investigations or identify the amounts involved in two cases, involving fraudulent expenses and medical insurance claims.

In a third case, a country office had prepared false custom declarations in order to obtain exemption from duties on the import of contraceptives. This related to the import of goods amounting to approximately $4 million, but involved no financial loss to UNFPA.

87. The fourth case related to a country office that had disbursed $3.84 million in directly managed construction contracts. UNFPA commissioned a special audit report, which revealed that the country office had executed the related project in the biennium 1998-1999, despite being instructed otherwise by the Deputy Executive Director. This had also been done in spite of the fact that UNFPA financial rules forbade the organization from directly executing construction projects exceeding $3 million in value, or 30 per cent of the total value of the country programme, whichever is less.

88. The UNFPA representative failed to submit any of the contracts for the approval and scrutiny of the headquarters Contracts Review Committee despite the fact that the office had substantially exceeded its delegated authority of $70,000. Although the geographic division at UNFPA headquarters had increased the resources available to the office from $4.5 million to $6.5 million to undertake the programme, the Board noted that the geographic division had failed to monitor the programme of the country office to ensure that the office was obtaining the necessary authority to enter into the contracts.

89. The Board notes that UNFPA commissioned independent quantity surveyors and accountants to review the projects. The reports estimated that UNFPA overpaid the contractors by between $1.0 million to $1.8 million.

90. The Board is concerned at the weaknesses in management and monitoring revealed by this case. UNFPA is conducting disciplinary proceedings against the staff members involved, including the UNFPA representative. The Board looks forward to seeing the results of the proceedings and trusts that it will be produced expeditiously.

91. In the meantime, **the Board recommends that UNFPA make every effort to recover the overpayment of up to $1.8 million from the contractors.**

D. Acknowledgement

92. The Board of Auditors wished to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of the United Nations Population Fund and her staff.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Osei Tutu **Prempeh***
Auditor-General of Ghana

(*Signed*) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

28 July 2000

* The term of office of the Auditor-General of Ghana expired on 30 June 2000, prior to the signing of the present report. The Auditor-General, however, has expressed agreement with the contents of the report. In addition, the relevant audit programme had been approved by the Board and all special instructions given by the Board were carried out.

Annex

Follow-up on action taken to implement the recommendations of the Board of Auditors in its report for the period ended 31 December 1997[a]

Recommendation 9 (a)

1. UNFPA should show the value of contributions-in-kind in a note to the financial statements.

Measures taken by the Administration

2. UNFPA had intended to note the information in its financial statements for the biennium 1998-1999. However, data collection proved more complex than expected and UNFPA now plans to disclose the information for the biennium 2000-2001.

Comments of the Board

3. The Board is concerned that UNFPA has been unable to comply with its recommendation and considers it should have made more strenuous efforts to obtain the information from the UNFPA representatives.

Recommendation 9 (b)

4. UNFPA should establish procedures for accurately recording non-expendable project equipment held by Governments and non-governmental organizations and disclose the value of the inventory in a note to the financial statements.

Measures taken by the Administration

5. UNFPA has procedures for collecting, valuing and reporting non-expendable project equipment in place and was intending to disclose the information in a note to the financial statements for 1998-1999. However, UNFPA representatives have largely failed to obtain project inventory returns from Governments and non-governmental organizations and UNFPA now plans to disclose the information for the biennium 2000-2001.

Comments of the Board

6. The Board is concerned that UNFPA has not been able to comply with its recommendation despite having introduced the necessary procedures.

Recommendation 9 (c)

7. UNFPA should seek to amend the financial regulations to require exchange losses arising other than from voluntary contributions to be charged as expenditure, in line with practice adopted by the United Nations Headquarters.

[a] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5G* (A/53/5/Add.7), chap. II, para. 11.

Measures taken by the Administration

8. The UNFPA financial rules 104.3 and 116.1 have been amended and UNFPA plans to reflect the revised treatment of exchange gains and losses from the 1998-1999 financial statements onwards.

Comments of the Board

9. The Board welcomes the changes in the rules.

Recommendation 9 (d)

10. UNFPA should expedite the receipt of outstanding disbursement reports in respect of government and non-governmental organizations executed projects.

Measures taken by the Administration

11. UNFPA is monitoring compliance with the financial rules and regulations relating to the timely receipt of disbursement reports and has emphasized to UNFPA representatives their personal accountability to ensure the rules are complied with. UNFPA is developing a database to facilitate monitoring.

Comments of the Board

12. The Board welcomes the action taken by UNFPA and will review the outcome in future audits.

Recommendation 9 (e)

13. UNFPA should apply strictly the Finance Manual provision that advances should not be made while disbursement reports are outstanding and any advances allowed should be limited to no more than one quarter's estimated expenditure.

Measures taken by the Administration

14. UNFPA is monitoring compliance with the financial rules and regulations relating to the provision of advances to executing agencies and have emphasized to UNFPA representatives their personal accountability to ensure the rules are complied with. UNFPA is developing a database to facilitate monitoring.

Comments of the Board

15. The Board comments in the present report that country offices were still over-advancing funds. The Board therefore welcomes UNFPA actions and that it has accepted the Board's further recommendation that it establish procedures and a management information system for monitoring advances, in order to identify those instances where apparently high advances have been made.

Recommendation 9 (f)

16. UNFPA should negotiate with Governments to either provide free premises or make a contribution towards accommodation costs.

Measures taken by the Administration

17. UNFPA is pursuing with Governments the extension of the UNDP Government Local Operating Costs contribution or similar arrangements to UNFPA offices where such arrangements do not already exist. The United Nations Development Group Sub-Group on Common Premises and Services, of which UNFPA is a member, is also actively pursuing the issue of cost-free premises.

Comments of the Board

18. The Board welcomes the action taken by UNFPA and will review the outcome in future audits.

Recommendation 9 (g)

19. UNFPA should ensure the standard common service agreement incorporates performance targets and service standards.

Measures taken by the Administration

20. UNFPA is awaiting a report from the United Nations Development Group Sub-Group on Common Premises and Services which will make recommendations on a United Nations system-wide common services agreement. UNFPA pressed for this to include criteria for evaluating the quality and cost-effectiveness of services provided and to include the principle of the accountability of providers to recipients.

Comments of the Board

21. The Board intends to examine the new agreements when they are available.

Recommendations 9 (h), (i) and (j)

22. UNFPA should undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices, to ensure that there is an appropriate balance between decentralization and control and that sufficient support is available to field offices.

23. UNFPA should develop more accurate workload measures, specific to the full range of work undertaken, to ensure that General Service staff numbers are commensurate with need.

24. UNFPA should establish workload benchmarks and measures to determine more accurately the numbers of professional staff needed.

Measures taken by the Administration

25. UNFPA has concluded the first phase of a workforce planning exercise which will review job content and redesign post functions, develop accurate workload

measures specific to the full range of work undertaken and establish workload benchmarks to optimize staff resources.

Comments of the Board

26. The Board welcomes the review and will examine the outcome in future audits.

Recommendation 9 (k)

27. UNFPA should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies.

Measures taken by the Administration

28. UNFPA surveyed all its systems and made them all year 2000 compliant.

Comments of the Board

29. The Board welcomes the action taken by UNFPA and notes that no problems arose.

Recommendation, paragraph 26

30. UNFPA should take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two weeks of actual travel, as required under the UNFPA regulations.

Measures taken by the Administration

31. UNFPA is attempting to clear the majority of outstanding advances, including taking action on writing off any advances where there is little chance of recovery. However, problems with obtaining information from IMIS have delayed UNFPA efforts. No further missions are being approved where claims for previous missions have not been submitted.

Comments of the Board

32. The Board welcomes the action taken by UNFPA and will continue to monitor this in future audits.

Recommendation, paragraph 38

33. UNFPA should require Governments and non-governmental organizations to open a separate bank account for each project to facilitate the pay-over to UNFPA of any interest earned on project funds.

Measures taken by the Administration

34. In most cases, separate bank accounts are established and where they are not, it is primarily due to national legislation or infrastructure limitations in the country. UNFPA will continue its efforts to recover any interest earned on project funds.

Comments of the Board

35. The Board will monitor the establishment of project bank accounts in its future audits.

Recommendation, paragraph 43

36. UNFPA should periodically review all inactive projects and take early action to close those that have been completed.

Measures taken by the Administration

37. UNFPA financially closed nearly 1,800 projects in 1998 and 460 in 1999. Following the introduction of a new procedure, a further 800 projects have been identified as inactive and are in the process of being financially closed.

Comments of the Board

38. The Board acknowledges that UNFPA has achieved much and welcomes the new procedure for identifying inactive projects.

Recommendation, paragraph 58

39. UNFPA should strengthen its space management systems to include space costs as part of the overall resource planning and management system; and that it establish clear objectives about what space management measures are intended to achieve.

Measures taken by the Administration

40. As part of the United Nations Development Group Sub-Group on Common Premises and Services, UNFPA was strongly supportive of the initiative to acquire the space-management software "Aperture". The Fund is also in the process of implementing a new "resource management system", which will contain a module allowing for importation and wider utilization of data from "Aperture". Furthermore, in conjunction with the renewal of its headquarters lease, UNFPA was able to negotiate with the landlord the renovation/upgrading of the premises, and space management was a significant component in the planning of this work.

Comments of the Board

41. The Board welcomes the action taken by UNFPA and will review the outcome in future audits.

Recommendation, paragraph 73

42. UNFPA should establish standards and guidelines for premises-related expenditure and monitor the out-turn, in order to identify inconsistencies and deviations from the standards.

Measures taken by the Administration

43. UNFPA is developing premises-related expenditure indicators and has also specifically targeted for in-depth review and premises assessment missions those countries that exhibit high rental and/or high operational costs. The United Nations Development Group Sub-Group on Common Premises and Services is also considering the matter.

Comments of the Board

44. The Board welcomes the action taken by UNFPA and will review the outcome in future audits.

Recommendation, paragraph 94

45. UNFPA needs to carry out a field capacity study to assess whether country offices are appropriately staffed.

Measures taken by the Administration

46. UNFPA considers that the workforce planning exercise will facilitate assessing the appropriate country office staffing and that it will enable senior management to better define country office staff's role and responsibilities in the context of decentralized approval authority and programme implementation.

Comments of the Board

47. The Board looks forward to seeing the results of a field capacity study.

Chapter III

Audit opinion

We have audited the accompanying financial statements, comprising statements I to IV, schedules 1 to 7, and the supporting notes of the United Nations Population Fund for the biennium ended 31 December 1999. The financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

Except for the effect of any adjustments that may be necessary upon receipt of outstanding audited expenditure statements relating to nationally executed projects, in our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1999 and the results of operations and cash flows for the period then ended in accordance with the Fund's stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the Fund, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of the Fund's financial statements.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

Osei Tutu **Prempeh***
Auditor-General of Ghana

(*Signed*) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

28 July 2000

* The term of office of the Auditor-General of Ghana expired on 30 June 2000, prior to the signing of the present report. The Auditor-General, however, has expressed agreement with the contents of the report. In addition, the relevant audit programme had been approved by the Board and all special instructions given by the Board were carried out.

Chapter IV
Certification of the financial statements

1 July 2000

Sir,

We, the undersigned, acknowledge that:

- The Management is responsible for the integrity and objectivity of the financial information included in these financial statements;
- The financial statements have been prepared in accordance with the United Nations System Accounting Standards and include certain amounts that are based on Management's best estimates and judgements;
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions, and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditor continually reviews the accounting and control systems. Further improvements are being implemented in specific areas;
- The Management provided the United Nations Board of Auditors and the internal auditor with full and free access to all accounting and financial records;
- The recommendations of the United Nations Board of Auditors and the internal auditor are reviewed by the Management. Control procedures have been revised or are in the process of revision, as appropriate, in response to these recommendations.

With regard to the above assurances, the responsibility of UNDP is limited to the services provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.2.

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(*Signed*) Gilbert **Houngbo**
Director
Office of Finance and Administration
Bureau of Management
United Nations Development Programme

(*Signed*) Sethuramiah **Rao**
Director
Division of Finance, Administration and
Management Information Services
United Nations Population Fund

The Chairman of the Board of Auditors
United Nations
New York

Chapter V

Financial statements for the biennium ended 31 December 1999

UNITED NATIONS POPULATION FUND
BIENNIUM 1998-1999

Statement I. Income and expenditures and fund balances for the biennium ended 31 December 1999
I.1 Overview

(Thousands of United States dollars)

		Regular Resources		Other Resources	
		1998-1999	1996-1997	1998-1999	1996-1997
INCOME					
Contributions from Governments and other contributors					
Contributions		514,040	589,676	130,830	76,797
Less: Transfer to Biennial support budget		(1,973)	-	-	-
Add: Adjustments to pledges for prior periods (net)		282	134	-	-
Exchange Adjustments on collection of contributions		198	(726)	-	-
Contributions - net		512,547	589,084	130,830	76,797
Interest income		10,321	10,418	6,829	4,172
Other income	Schedule 2	2,067	2,596	31	51
TOTAL INCOME		524,935	602,098	137,690	81,020
EXPENDITURE					
Programme					
Project Expenditure		390,280	430,149	113,510	59,158
Technical support services		42,700	47,048	-	-
Administrative and Operational Services		5,452	5,249	817	160
UNFPA Reimbursable and Support services costs		8,050	9,674	189	-
Total Programme Expenditure		446,482	492,120	114,516	59,318
Biennial support budget - net	Schedule 5	118,427	111,040	435	925
Other Expenditure	Schedule 2	2,577	4,602	836	132
TOTAL EXPENDITURE		575,486	607,762	115,987	60,595
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		(50,951)	(5,664)	21,703	20,425
Savings on prior biennium's obligations		-	-	-	-
Transfer to/from Reserves		39,017	-	-	-
Refunds to Donors and transfers (to)/from other funds - net		800	(6,667)	(5,853)	3,862
Fund Balances, 1 January		11,134	23,465	48,365	24,076
FUND BALANCES, 31 DECEMBER		-	11,134	66,215	48,363

Statement I.2

The accompanying notes form an integral part of these financial statements.

UNITED NATIONS POPULATION FUND

BIENNIUM 1998-1999

Statement I. Income and expenditures and fund balance for the biennium ended 31 December 1999
Y.2 Other Resources

(Thousands of United States dollars)

	Trust Funds		Inter-Organizational Alliance Programme		Reimbursable and Support service		Elimination		Total Other Resources	
	1998-1999	1996-1997	1998-1999	1996-1997	1998-1999	1996-1997	1998-1999	1996-1997	1998-1999	1996-1997
INCOME										
Contributions from Governments and other contributors	133,697	76,449	205	222	-	-	-	-	130,830	76,797
Interest income	6,829	4,172	-	-	-	-	-	-	6,829	4,172
Other income	31	51	-	-	4,506	2,661	(4,506)	(2,661)	31	51
TOTAL INCOME	139,557	78,912	205	222	4,506	2,661	(4,506)	(2,661)	137,690	81,020
EXPENDITURE										
Programme										
Project Expenditure	107,787	58,342	195	111	-	-	-	-	113,516	59,358
Technical support services	-	-	-	-	-	-	-	-	-	-
Administrative and Operational Services	630	180	-	-	-	-	-	-	817	180
UNFPA Reimbursable and Support service costs	4,506	2,661	-	-	-	-	(4,506)	(2,661)	189	-
Total Programme Expenditure	112,933	61,183	195	111	-	-	(4,506)	(2,661)	114,516	59,538
Biennial support budget - net	-	-	-	-	635	925	-	-	635	925
Other Expenditure	836	132	-	-	-	-	-	-	836	132
TOTAL EXPENDITURE	113,769	61,315	195	111	635	925	(4,506)	(2,661)	115,987	60,595
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	25,788	18,597	10	(89)	3,871	1,736	-	-	21,703	20,425
Savings on prior biennium's obligations	-	-	-	-	-	-	-	-	-	-
Transfer to/from Reserves	-	-	-	-	-	-	-	-	-	-
Refunds to Donors and transfers (to)/from other funds - net	(1,980)	5,403	-	-	(3,871)	(1,736)	-	-	(5,851)	3,662
Fund Balances, 1 January	47,867	23,667	117	206	-	-	-	-	48,363	24,076
FUND BALANCES, 31 DECEMBER	71,675	47,667	127	117	-	-	-	-	64,215	48,363

Schedule 6

See view

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999

Statement II Assets,liabilities and Reserves and Fund balances as at 31 December
II.1 Overview

(Thousands of United States dollars)

		Regular Resources		Other Resources	
		1999	1997	1999	1997
ASSETS					
Cash		20,606	1,175	32	[illegible]
Investments held for					
Operational Reserve		23,984	41,000	-	-
Reserve for Field Accomodation		3,903	4,000	-	-
Regular resources		13,519	29,509	14,144	14,994
Cost-sharing		2,413	344	-	-
Trust Funds		46,182	39,700	-	-
Sub-total investments	Schedule 7	90,001	134,593	14,144	14,994
Total Cash and Investments		110,609	137,768	14,176	15,162
Pledges receivable from Governments	Schedule 1	1,700	21,070	-	-
Advances					
Operating funds provided to :					
Governments		17,044	19,725	3,039	2,884
UN agencies		1,337	2,329	399	259
Inter-governmental institutions & NGOs		10,271	10,728	3,837	454
Advance to Reserve for Field Accomodation		1,097	1,000	-	-
Accounts receivable and deferred charges					
Due from UNFIA - Regular Resources		-	-	48,729	40,196
Other accounts receivable and deferred charges		2,116	711	183	25
Accrued interest		447	1,725	970	105
TOTAL ASSETS		144,821	195,078	91,352	59,287

II.I Overview (Concluded)

	Regular Resources		Other Resources	
	1999	1997	1999	1997
LIABILITIES				
Operating funds payable to :				
Governments	3,221	2,836	1,713	188
UN agencies	8,065	5,437	2,409	404
Inter-governmental institutions & NGOs	3,871	2,151	1,655	103
Unliquidated obligations of executing agencies	20,634	40,797	21,040	10,029
Accounts payable	12,665	4,335	320	-
Due to United Nations Development Programme	15,872	20,194	-	-
Due to Other Resources				
Cost-sharing	2,413	379	-	-
Trust Funds	46,183	39,700	-	-
Junior Professional Programme	127	117	-	-
Reimbursable support services	7	-	-	-
Subtotal - Due to Other Resources	48,729	40,196	-	-
TOTAL LIABILITIES	115,837	115,944	27,137	10,924
RESERVES AND FUND BALANCES				
Operational reserve	23,984	63,000	-	-
Reserve for Field Accomodation	5,000	5,000	-	-
Unexpended Resources	-	11,134	66,215	48,363
TOTAL RESERVES AND FUND BALANCES	28,984	79,134	66,215	48,363
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES	144,821	195,078	93,352	59,287

statement II.2

The accompanying notes are an integral part of the financial statements

UNITED NATIONS DEVELOPMENT PROGRAMME
BIENNIUM 1998 - 1999

Statement II - Assets,liabilities and Reserves & Fund balances as at 31 December
II.2 Other Resources

(Thousands of United States dollars)

	Cost-sharing		Trust Funds		Junior Professional Officers Programme		Reimbursable and Support services		Total Other Resources	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
ASSETS										
Cash	-	-	32	144	-	-	-	-	32	144
Investments held for:										
Regular resources	-	-	14,144	14,994	-	-	-	-	14,144	14,994
Total Cash and Investments	-	-	14,176	15,142	-	-	-	-	14,176	15,142
Advances										
Operating funds provided to :										
Governments	-	-	3,089	2,846	-	-	-	-	3,089	2,846
UN agencies	-	-	399	259	-	-	-	-	399	259
Inter-governmental institutions & NGOs	-	-	3,837	454	-	-	-	-	3,837	454
Accounts receivable and deferred charges										
Due from UNFPA - Regular Resources	2,413	179	66,182	39,700	127	117	7	-	68,729	40,196
Other accounts receivable and deferred charges	-	-	177	25	-	-	5	-	182	25
Accrued interest	-	-	970	105	-	-	-	-	970	105
TOTAL ASSETS	2,413	179	88,800	58,791	127	117	12	-	91,352	59,287

II.2 Other Resources (Concluded)

	Cost sharing		Trust Funds		Junior Professional Officers Programme		Reimbursable and Support services		Total Other Resources	
	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997
LIABILITIES										
Operating funds payable to:										
Governments	-	-	1,713	166	-	-	-	-	1,713	166
UN agencies	-	-	2,409	404	-	-	-	-	2,409	404
Inter-governmental institutions & NGOs	-	-	1,655	103	-	-	-	-	1,655	103
Unliquidated obligations of executing agencies	-	-	21,039	10,029	-	-	11	-	21,050	10,029
Accounts payable	-	-	339	-	-	-	1	-	330	-
TOTAL LIABILITIES	-	-	27,135	10,924	-	-	12	-	27,137	10,924
RESERVES AND FUND BALANCES										
Unexpended Resources	2,433	179	61,675	47,867	127	117	-	-	64,235	48,363
TOTAL RESERVES AND FUND BALANCES	2,433	179	61,675	47,867	127	117	-	-	64,235	48,363
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES	2,433	179	88,800	58,791	127	117	13	-	91,352	59,287

schedule 6 statement II.1

The accompanying notes are an integral part of the financial statements

UNITED NATIONS POPULATION FUND

BIENNIUM 1998-1999

Statement III - Overview - Statement of Cash Flows for the biennium ended 31 December 1999
III.1 Overview

(Thousands of United States dollars)

		Regular Resources		Other Resources	
		1999	1997	1999	1997
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (shortfall) of income over expenditure	Statement I.1	(50,953)	(5,664)	21,703	20,425
Items not involving movement of cash		(97)	10	-	-
Sub total		(51,048)	(5,654)	21,703	20,425
Add inflows (less outflows)					
(Increase) decrease in pledges receivable		19,370	(20,440)	-	-
(Increase) decrease in other accounts receivable		(1,583)	350	(157)	52
(Increase) decrease in operating funds provided to Governments-net		3,068	(3,001)	1,352	(2,174)
(Increase) decrease in operating funds provided to inter-governmental institutions and NGO		2,177	(2,619)	(1,631)	(525)
Increase (decrease) in operating funds payable to executing agencies - net		3,620	(446)	1,665	(95)
Increase (decrease) in unliquidated obligations		(20,163)	(12,838)	11,011	(17,385)
Increase (decrease) in other liabilities		8,110	2,209	320	-
Less: Interest income		(10,321)	(10,418)	(6,829)	(4,172)
Net cash from Operating activities		(46,770)	(52,857)	27,434	(3,874)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES					
Add inflows (less outflows)					
Increase (decrease) in Due to Other Resources		8,533	(3,178)	-	-
Increase (decrease) in Due to United Nations Development Programme		(1,922)	7,416	-	-
(Increase) decrease in Due from UNFPA Regular Resources		-	-	(8,533)	3,178
(Increase) decrease in interest receivable		1,279	977	(865)	(26)
Add: Interest income		10,321	10,418	6,829	4,172
Net cash from investing and financing activities		18,811	15,633	(2,569)	7,324
CASH FLOWS FROM OTHER SOURCES					
Movement in Operational Reserve		(39,017)	-	-	-
Refunds to donors and transfers to/from other funds - net		39,817	(6,667)	(5,851)	3,862
Net cash from other sources		800	(6,667)	(5,851)	3,862
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS		(27,159)	(43,891)	19,014	7,312
CASH AND INVESTMENTS AS AT 1 JANUARY		137,762	181,659	15,162	7,850
CASH AND INVESTMENTS AS AT 31 DECEMBER		110,603	137,768	34,176	15,162
		Statement II.1		Statement II.2	

The accompanying notes are an integral part of the financial statements

UNITED NATIONS POPULATION FUND

BIENNIUM 1998 - 1999

Statement III - Overview - Statement of Cash Flows for the biennium ended 31 December 1999
III.2 Other Resources

(Thousands of United States dollars)

	Cost-sharing	Trust Funds	Junior Professional Officers	Reimbursable and support services	Total Other Resources	
	1999	1999	1999	1999	1999	1997
CASH FLOWS FROM OPERATING ACTIVITIES						
Excess (shortfall) of income over expenditure	2,034	15,788	10	3,871	21,703	20,425
Sub total	2,034	15,788	10	3,871	21,703	20,425
Add: inflows (less outflows)						
(Increase) decrease in other Accounts receivable	-	(152)	-	(5)	(157)	52
(Increase) decrease in operating funds provided to Governments-net	-	1,352	-	-	1,352	(2,174)
(Increase) decrease in operating funds provided to inter-governmental institutions and NGOs - net	-	(1,631)	-	-	(1,631)	(525)
Increase (decrease) in operating funds payable to executing agencies - net	-	1,665	-	-	1,665	(95)
Increase (decrease) in unliquidated obligations	-	11,000	-	11	11,011	(17,385)
Increase (decrease) in other liabilities	-	319	-	1	320	-
Less: interest income	-	(6,829)	-	-	(6,829)	(4,172)
Net cash from Operating Activities	2,034	21,512	20	3,878	27,434	(3,874)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES						
Add: inflows (less outflows)						
(Increase) decrease in Due from UNFPA Regular Resources	(2,034)	(6,483)	(10)	(7)	(8,533)	3,178
(Increase) decrease in interest receivable	-	(865)	-	-	(865)	(24)
Add: Interest income	-	6,829	-	-	6,829	4,172
Net cash from investing and financing activities	(2,034)	(519)	(10)	(7)	(2,569)	7,324
CASH FLOWS FROM OTHER SOURCES						
Refunds to donors and transfers to/from other funds - net	-	(1,980)	-	(3,871)	(5,851)	3,862
Net cash from Other Sources	-	(1,980)	-	(3,871)	(5,851)	3,862
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	-	19,014	-	-	19,014	7,312
CASH AND INVESTMENTS AS AT 1 JANUARY	-	15,162	-	-	15,162	7,850
CASH AND INVESTMENTS AS AT 31 DECEMBER	-	34,176	-	-	34,176	15,162

statement II.2

The accompanying notes are an integral part of the financial statements

UNITED NATIONS POPULATION FUND

BIENNIUM 1998 - 1999

Statement IV

Movement in resources balances for the biennium ended 31 December 1999

IV.1 Overview

(Thousands of United States Dollars)

	Regular Resources	Other Resources
Balance as at 1 January 1998	11,134	48,343
Net excess (shortfall) of income over expenditure	(50,951)	21,709
Savings on prior biennium's obligations	-	-
Transfer to/from Reserves	39,017	-
Refunds to Donors and transfers (to)/from other funds - net	800	(5,511)
Balance as at 31 December 1999	-	64,541
	statement II.1	statement II.1

The accompanying notes form an integral part of these financial statements.

UNITED NATIONS POPULATION FUND

BIENNIUM 1998 - 1999

Statement IV

Movement in resources balances for the biennium ended 31 December 1999

IV.2 Other Resources

(Thousands of United States Dollars)

	Cost sharing	Trust Funds	Junior Professional Officers	Reimbursable and Support services	Total Other Resources Activities
Balance as at 1 January 1998	479	47,667	117	-	48,263
Net excess (shortfall) of income over expenditure	2,016	15,788	10	3,871	21,703
Savings on prior biennium's obligations	-	-	-	-	-
Transfer to/from Reserves	-	-	-	-	-
Refunds to Donors and Transfers (to)/from other funds - net	-	(1,980)	-	(3,871)	(5,851)
Balance as at 31 December 1999	2,411	41,675	127	-	44,215
					Statement II.2

The accompanying notes are an integral part of the financial statements

UNITED NATIONS POPULATION FUND
BIENNIUM 1998-1999

Schedule 1
Regular Resources - Status of voluntary contributions pledged as at 31 December 1999

(Thousands of United States dollars)

Donor	Balances as at 1 Jan for prior biennium	Additions and adjustments for prior biennium	Pledges for current biennium	Pledges for future biennium: Local Currency	Pledges for future biennium: United States dollars	Pledges for future biennium: Total	payments received a/	Unpaid pledges as at 31 December	Composition of Balance Due: For current and prior biennium	Composition of Balance Due: For future biennium
Albania	1	-	-	-	-	-	-	-	-	-
Algeria	21	(2)	9	300	5	33	5	28	24	4
Andorra	-	-	6	-	-	6	6	-	-	-
Australia	-	-	2,652	-	-	2,652	2,652	-	-	-
Austria	-	-	990	-	-	990	990	-	-	-
Bahamas	1	-	-	-	-	1	-	1	1	-
Bangladesh	25	-	50	-	25	100	-	100	75	25
Barbados	-	-	8	-	-	8	8	-	-	-
Belgium	-	202	3,500	-	-	3,702	3,702	-	-	-
Benin	-	2	1	-	-	3	3	-	-	-
Bhutan	-	-	4	-	-	4	4	-	-	-
Bolivia	4	-	8	-	3	15	8	7	6	3
Botswana	-	-	6	-	-	6	6	-	-	-
Brazil	15	-	15	-	-	30	15	15	15	-
British Virgin Islands	-	-	1	-	-	1	1	-	-	-
Bulgaria	-	66	160	-	-	226	-	226	226	-
Burkina Faso	3	-	7	-	-	9	9	-	-	-
Burundi	-	-	2	-	-	2	2	-	-	-
Canada	-	-	12,481	-	-	12,481	12,481	-	-	-
Central African Republic	1	-	-	-	-	1	-	1	1	-
Chile	1	-	11	-	-	12	6	6	6	-
China	-	-	1,640	-	820	2,460	1,640	820	-	820
Colombia	-	-	83	-	40	123	83	40	-	40
Comoros	2	-	-	-	-	2	-	2	2	-
Côte d'Ivoire	9	-	10	-	-	13	-	13	13	-
Cyprus	1	-	-	-	-	1	-	1	1	-
Czech Republic	69	(6)	123	2,000	58	235	185	50	-	50
Democratic People's Republic of Korea	-	-	-	20	10	10	-	10	-	10
Denmark	-	-	41,171	-	-	41,171	41,171	-	-	-
Djibouti	1	-	2	-	-	3	-	3	3	-
Dominican Republic	9	(3)	-	-	-	6	-	6	6	-
Egypt	269	13	103	350	102	487	206	281	179	102
Equatorial Guinea	2	-	-	-	-	2	-	2	2	-
Ethiopia	-	-	8	-	-	8	8	-	-	-
Federated States of Micronesia	1	-	-	-	-	1	-	1	1	-
Fiji	7	(1)	6	-	-	8	5	3	3	-
Finland	-	-	25,727	-	-	25,727	25,727	-	-	-
France	429	(4)	2,336	-	-	2,361	2,361	-	-	-
Gambia	5	-	-	-	-	5	-	5	5	-
Germany	-	-	45,619	-	-	45,619	45,619	-	-	-
Ghana	-	-	20	-	-	20	20	-	-	-
Guatemala	2	-	-	-	-	2	-	2	2	-
Honduras	-	-	5	-	-	5	5	-	-	-
Iceland	-	-	14	400	11	25	14	11	-	11
India	-	3	422	9,000	209	634	213	421	212	209
Indonesia	-	-	144	-	-	146	146	-	-	-
Iran (Islamic Republic of)	50	-	-	-	-	50	-	50	50	-
Ireland	-	-	972	-	-	972	972	-	-	-
Italy	-	-	4,404	-	-	4,404	4,404	-	-	-
Japan	16,860	-	97,205	-	-	114,065	114,065	-	-	-
Jordan	-	-	96	-	-	96	96	-	-	-
Kenya	-	-	5	-	-	5	-	5	5	-

UNITED NATIONS POPULATION FUND
BIENNIUM 1998-1999

Schedule 1
Regular Resources - Status of voluntary contributions pledged as at 31 December 1999

(Thousands of United States dollars)

Donor	Balance as at 1 Jan for prior biennium	Additions and adjustments for prior biennium	Pledges for current biennium	Pledges for future biennium: Local currency	Pledges for future biennium: United States dollars	Total	payments received a/	Unpaid pledges as at 31 December	Composition of Balance Due: For current and prior biennium	Composition of Balance Due: For future biennium
Kuwait	5	-	-	-	-	5	-	5	5	-
Lao People's Democratic Republic	1	-	2	-	1	4	-	4	3	1
Lebanon	6	-	-	-	-	6	-	6	6	-
Lesotho	-	-	1	-	-	1	-	1	1	-
Libyan Arab Jamahiriya	10	-	-	-	-	10	-	10	10	-
Liechtenstein	-	-	3	-	-	3	3	-	-	-
Luxembourg	-	-	794	-	-	794	794	-	-	-
Madagascar	1	-	-	-	-	1	-	1	1	-
Malawi	9	(1)	2	-	-	8	-	8	8	-
Malaysia	15	-	10	-	15	40	45	15	-	15
Maldives	-	-	4	-	3	7	4	3	-	3
Mali	-	2	3	-	-	5	5	-	-	-
Mauritania	4	(1)	4	-	-	7	-	7	7	-
Mauritius	-	-	4	-	-	4	4	-	-	-
Mexico	-	50	50	-	50	150	100	50	-	50
Mongolia	4	-	8	-	4	16	4	12	8	4
Morocco	2	-	8	-	-	10	8	2	2	-
Mozambique	2	-	-	-	-	2	-	2	2	-
Myanmar	4	-	-	60	-	4	-	4	4	-
Namibia	1	-	1	-	-	2	1	1	1	-
Nepal	6	-	5	-	-	11	5	6	6	-
Netherlands	-	(1)	81,774	-	-	81,773	81,774	(1)	-	(1)
New Zealand	-	-	1,431	-	-	1,431	1,431	-	-	-
Nicaragua	-	-	5	-	-	5	5	-	-	-
Nigeria	1	(1)	-	-	-	2	-	2	2	-
Niue	-	-	1	-	-	1	1	-	-	-
Norway	-	-	52,473	-	-	52,473	52,473	-	-	-
Pakistan	48	13	1,000	-	-	1,061	554	507	507	-
Panama	-	-	18	-	-	18	18	-	-	-
Paraguay	27	-	-	-	-	27	27	-	-	-
Peru	10	-	-	-	-	10	-	10	10	-
Philippines	58	(7)	51	-	-	96	75	21	21	-
Poland	-	-	46	104	25	71	46	25	-	25
Portugal	-	-	110	-	-	110	95	15	15	-
Republic of Korea	-	-	654	-	-	654	654	-	-	-
Romania	-	-	7	150,000	8	15	6	9	-	9
Russian Federation	-	-	300	-	150	450	300	150	-	150
Rwanda	-	-	1	-	-	1	1	-	-	-
Samoa	-	-	10	-	-	10	-	10	10	-
Saudi Arabia	40	-	40	-	30	120	90	30	-	30
Senegal	-	11	-	-	-	11	11	-	-	-
Slovenia	1	-	1	-	-	2	1	1	1	-
South Africa	-	-	18	-	-	18	18	-	-	-
Spain	-	-	670	-	-	670	670	-	-	-
Sri Lanka	15	-	30	-	-	45	45	-	-	-
Sudan	3	-	28	-	-	31	-	31	31	-
Swaziland	1	-	-	-	-	1	1	-	-	-
Sweden	-	-	32,765	-	-	32,765	32,765	-	-	-
Switzerland	-	-	14,383	-	-	14,383	14,383	-	-	-
Syrian Arab Republic	-	-	5	-	-	5	5	-	-	-
Thailand	-	-	192	-	96	288	281	7	-	7
Togo	5	(1)	-	-	-	4	-	4	4	-
Tokelau Island	-	2	-	-	-	2	2	-	-	-
Trinidad and Tobago	-	-	5	-	-	5	5	-	-	-

UNITED NATIONS POPULATION FUND
BIENNIUM 1998-1999

Schedule 1
Regular Resources - Status of voluntary contributions pledged as at 31 December 1999

(Thousands of United States dollars)

Donor	Balance as at 1 Jan for prior biennium	Additions and adjustments for prior biennium	Pledges for current biennium	Pledges for future biennium: total currency	Pledges for future biennium: United States dollars	Total	Cash payments received a/	Unpaid pledges as at 31 December	Composition of Balance Due: For current and prior biennium	Composition of Balance Due: For future biennium
Trust Territory of the Pacific Islands	-	-	2	-	-	2	2	-	-	-
Tunisia	23	(6)	65	25	21	67	24	43	42	21
Turkey	330	-	258	-	196	454	216	238	130	108
Turks and Caicos Islands	-	-	5	-	-	5	5	-	-	-
Uganda	5	(5)	1	-	-	5	-	5	5	-
United Kingdom	-	-	45,891	-	-	45,891	45,891	-	-	-
United Republic of Tanzania	10	(10)	1	-	-	8	-	8	8	-
United States of America (Note 4)	1,029	-	19,027	-	-	21,056	21,056	-	-	-
Uruguay	29	-	8	-	-	29	29	-	-	-
Vanuatu	5	-	-	-	-	5	-	5	5	-
Venezuela	-	-	16	-	-	19	19	-	-	-
Viet Nam	3	-	8	-	6	11	4	7	4	3
Yemen Arab Republic	-	10	40	-	-	30	30	-	-	-
Zambia	5	-	-	-	-	2	-	2	2	-
Zimbabwe	1	(1)	-	-	-	-	-	-	-	-
TOTAL	21,079	114	214,211	102,659	1,700	535,416	512,814	3,389	1,700	1,499
		(Statement I.1)	(Statement I.1)						(Statement II.1)	

a/ Includes the following amounts paid in 1997 for future years' pledges

Czech Republic	3
Thailand	53
Total	56

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999
Schedule 2
Regular Resources: Other income and expenditure for the biennium ended 31 December 1999

(Thousands of United States Dollars)

	1998-1999	1996-1997
OTHER INCOME		
Miscellaneous income and exchange adjustments from accounts of executing agencies - net	50	525
Donations	331	4
Savings of liquidation against prior period obligations - executing agencies and UNFPA	1,347	1,264
Miscellaneous income	339	221
Miscellaneous income from Procurement services	-	582
TOTAL OTHER INCOME	2,067	2,596
	(Statement 2.1)	
OTHER EXPENDITURE		
Miscellaneous expenditure and exchange adjustments from accounts of executing agencies - net	251	-
Net adjustments on revaluation of currencies and gain/(loss) on exchange other than contributions	2,559	4,521
Provision for assets write-down	-	91
Bank charges	13	1
Write-offs, excluding contribution from governments and budget items	-	41
Admin expenditure - Procurement services	54	1
TOTAL OTHER EXPENDITURE	2,877	4,654
	(Statement 2.1)	

The accompanying notes are an integral part of the financial statements

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999

Schedule 3
Regular resources - Programme expenditure by Executing Agencies for the biennium ended 31 December 1999

(Thousands of United States dollars)

Executing Agents	Personnel services	Sub-contracts	Training (fellowships)	Equipment & supplies	Miscellaneous	Total Project Costs	Technical support costs	Administrative and operational services	UNFPA support costs	Total
United Nations	5,291	151	860	196	(109)	6,389	1,441	345	-	8,175
ECA	190	39	164	3	15	351	3,529	255	-	4,135
ECE	773	215	375	10	3	1,376	-	65	-	1,441
ECLAC	769	15	86	-	19	889	286	66	-	1,241
ESCAP	1,301	245	483	45	111	2,185	1,307	134	-	3,626
ESCWA	41	-	117	-	12	170	920	-	-	1,090
FAO	699	1,084	401	136	172	2,492	3,228	170	-	5,890
ILO	2,180	81	537	138	180	3,116	5,179	222	-	8,517
UNESCO	2,755	1,343	1,716	411	579	6,804	4,301	427	-	11,532
UNICEF	172	-	43	27	2	-	-	-	-	-
UNHCR	378	204	177	-	10	769	1,099	58	-	1,926
UNRWA	-	-	-	44	-	44	-	6	-	50
UNOPS	79	86	111	208	5	489	-	37	-	526
WHO	3,873	7,127	2,263	420	649	14,332	5,498	623	-	20,453
Total, United Nations executing agencies	18,257	10,590	7,373	1,638	1,648	39,406	26,788	2,408	-	68,602
Governments	20,910	25,926	41,023	21,621	12,747	122,227	-	-	6,110	128,337
UNFPA - see note 1 below	18,064	24,720	25,707	78,170	6,500	172,751	15,277	-	2,929	190,957
Inter-governmental institutions and other agencies including non-governmental organizations	24,068	18,460	15,726	5,095	6,053	69,414	235	3,231	-	72,880
Total Inclusive of Cost-sharing	81,331	79,196	89,829	106,524	26,948	403,798	42,300	5,639	9,039	460,776

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999

Schedule 3
Regular resources - Programme expenditure by Executing Agencies
for the biennium ended 31 December 1999

(Thousands of United States dollars)

Executing Agents		Personnel services	Sub-contracts	Training (fellowships)	Equipment & supplies	Miscellaneous	Total Project Costs	Technical support costs	Administrative and operational services	UNFPA support costs	Total
Charged to											
General Resources	Statement 1.1	99,812	78,315	89,213	104,005	26,935	398,280	42,300	5,452	8,850	454,882
Cost-sharing Resources	Statement 1.2	1,499	881	606	2,519	13	5,518	-	187	189	5,894
Total Inclusive of Cost-sharing		101,311	79,196	89,819	106,524	26,948	403,798	42,300	5,639	9,039	460,776
							Schedule 4	Schedule 4.1		Note 6	

a/ Project costs includes UNFPA procurement assistance in respect of Government projects amounting to $58.6 million

Support costs on these expenditure are shown in note 6 and schedule 6

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999

Schedule 4
Regular resources - Unspent allocation of project costs as at 31 December 1999

(Thousands of United States dollars)

Executing Agencies		BIENNIUM 1998 - 1999 allocations	expenditure	unspent allocations	Future years' allocations	Total unspent allocations
United Nations		7,839	6,389	1,450	2,928	4,378
ECA		574	351	223	-	223
ECE		1,557	1,376	181	660	841
ECLAC		939	889	50	-	50
ESCAP		2,337	2,185	152	241	393
ESCWA		178	170	8	-	8
FAO		2,594	2,492	102	1,742	1,844
ILO		3,945	3,116	829	994	1,823
UNESCO		7,412	6,804	608	1,689	2,297
UNIFEM		1,153	769	384	446	830
UNRWA		44	44	-	-	-
UNOPS		512	489	23	1,127	1,150
WHO		16,593	14,332	2,261	8,291	10,552
United Nations Executing agencies total		45,677	39,406	6,271	20,118	26,389
Governments		141,120	122,227	18,893	164,563	183,456
UNFPA	note a below	193,009	172,751	20,858	122,147	143,002
Inter-governmental institutions and other agencies including non-governmental organizations		81,501	69,414	12,087	33,462	45,549
Total		461,904	403,799	58,106	340,290	398,396
			Schedule 3	Note 5	Note 5	

expenditure incurred by UNFPA procurement assistance in respect of Government projects amounting to $58.6 million

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999

Schedule 4.1
Regular resources - Unspent allocation of technical support services as at 31 December 1999

(Thousands of United States dollars)

Executing Agents	BIENNIUM 1998 - 1999 allocations	expenditure	unspent allocations	Future years' allocations	Total unspent allocations
United Nations	1,548	1,441	107		107
ECA	3,994	3,529	465	3,032	3,497
ECLAC	255	286	(31)	290	259
ESCAP	1,413	1,307	106	1,225	1,331
ESCWA	1,175	920	255	755	1,010
FAO	3,494	3,228	266	2,572	2,838
ILO	5,777	5,179	598	4,454	5,052
UNESCO	4,752	4,301	451	4,318	4,769
UNIFEM	1,376	1,099	277	1,636	1,913
WHO	6,168	5,498	670	2,917	3,587
United Nations executing agencies total	29,952	26,788	3,164	21,199	24,363
UNFPA	16,625	15,277	1,348	12,079	13,427
Inter-governmental institutions and other agencies including non-governmental organisations	257	235	22	-	22
Total	46,834	42,300	4,534	33,278	37,812
		Schedule 3	Note 5	Note 5	

- nothing to print

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999

Schedule 5 - Biennial Support Budget for the biennium ended 31 December 1999
Programme support activities
Management and administrative costs

(Thousands of United States dollars)

		1998 - 1999 Expenditure				
		Appropriations 1998-1999 a/	Disbursements	Unliquidated Obligations	Total	Unencumbered balance 1999
Programme Support						
Country Offices		73,484	63,367	2,104	65,471	8,013
Headquarters		26,812	23,453	1,018	24,471	2,341
Total		100,296	86,820	3,122	89,942	10,354
Management and Administration of the organization		42,960	32,022	11,399	43,421	(461)
Total Biennial support budget - gross		143,256	118,842	14,521	133,363	9,893
Less: Income to the budget	b/ and c/	(15,707)	(14,936)	-	(14,936)	(771)
Total Biennial support budget - net		127,549	103,906	14,521	118,427	9,122

statement 5.1

a/ Appropriations approved by the Executive Board at the third regular session in 1997 (decision 97/26)

b/ See note 6

c/ The income to the budget includes reimbursement of income tax to nationals of certain states in 1998.

UNITED NATIONS POPULATION FUND

BIENNIUM 1998 - 1999

Schedule 6

Trust Funds - Statement of account for the biennium ended 31 December 1999

(Thousands of United States Dollars)

Trust funds	Unexpended balance as at 1 January 1998	Contributions received	Transfers and refunds	Interest, misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA reimbursable & support service costs	Total expenditure	Unexpended balance as at 31 December 1999
MULTI-BILATERAL										
AGFUND	102	105	(65)	11	152	67	-	2	69	83
Australia	1,841	704	(170)	269	2,167	1,903	69	120	2,069	2,098
Austria	-	79	27	-	106	-	-	-	-	106
Balkan Trust Fund	-	490	-	2	492	436	-	24	460	32
Belgium	2,743	404	(113)	199	2,933	930	31	22	983	1,951
Canada	414	80	(24)	78	1,027	56	-	3	56	971
Canadian Public Health Association	423	135	(217)	(27)	491	177	-	19	196	95
Contraceptive Needs in Selected Developing Countries	91	-	-	6	45	-	-	-	-	45
Denmark	147	1,477	(41)	51	1,634	1,133	-	47	1,180	454
European Economic Community	1,914	11,414	-	581	15,910	8,585	256	67	8,910	7,000
Finland	994	-	(611)	131	94	152	2	7	171	(77)
France	22	25	-	2	25	23	-	1	24	1
Germany	(154)	412	5	11	274	247	-	12	259	15
Ireland Foundation	1	-	(1)	-	-	-	-	-	-	-
Italy	7	-	(7)	-	-	-	-	-	-	-

[illegible] Nations Population Fund
[illegible] 1999 : 1999

Schedule 6
Trust Funds - Statement of account for the biennium ended 31 December 1999

(Thousands of United States dollars)

Trust fund	Unexpended balance as at 1 January 1998	Contributions received	Transfers and refunds	Interest, misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA reimbursable & support service costs	Total expenditure	Unexpended balance as at 31 December 1999
[illegible] / Angola	117	[illegible]	[illegible]	91	[illegible]	667	-	23	670	[illegible]
[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	-	-	-	-	[illegible]
[illegible]/Algeria	254	43	19	19	327	229	-	12	241	86
Italy	[illegible]	-		144	[illegible]	821	29	20	870	751
Japan	344		33	(65)	247	227	-	11	238	29
Lebanon	193	811	[illegible]	28	988	439	-	27	466	520
Luxembourg	781	[illegible]	-	113	[illegible]	653	40	15	708	[illegible]
Macro International	-	55	45	-	100	102	-	5	107	(7)
Management Development Unit	[illegible]	-	[illegible]	4	19	17	-	2	19	-
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9,769	172	444	[illegible]	[illegible]
NGO (Inter-Multi-Peral	38	196	[illegible]	10	97	42	-	3	55	22
Norad	[illegible]	[illegible]	43	[illegible]	[illegible]	6,894	30	133	7,259	[illegible]
Norway	84	-	[illegible]	-	4	2	-	-	2	2
Oman	200	-	-	22	222	12	-	-	12	210
Organization of Petroleum Exporting Countries	[illegible]	-	[illegible]	-	-	-	-	-	-	-
Partners in Population	[illegible]	[illegible]	-	45	[illegible]	[illegible]	-	84	[illegible]	[illegible]

UNITED NATIONS POPULATION FUND

BIENNIUM 1998 - 1999

Schedule 6

Trust Funds - Statement of account for the biennium ended 31 December 1999

(Thousands of United States Dollars)

Trust funds	Unexpended balance as at 1 January 1998	Contributions received	Transfers and refunds	Interest, misc. Income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA reimbursable & support service costs	Total expenditure	Unexpended balance as at 31 December 1999
Rockefeller Foundation	111	-	(55)	4	60	27	-	-	27	33
Spain	1,097	-	-	73	1,160	490	-	35	725	435
Sweden	721	662	-	59	1,440	577	13	56	646	994
Switzerland	42	460	-	19	541	460	-	23	483	58
Syrian Arab Republic	457	150	-	20	627	584	-	29	613	12
The Arab Republic of Egypt	-	1,456	-	-	1,456	338	1	108	449	1,007
UNFTP	-	8,616	(444)	161	8,533	5,271	-	31	5,302	3,231
United Kingdom	2,391	10,444	510	174	13,519	8,171	6	491	8,666	4,853
United Nations AIDS	-	313	15	9	333	45	-	18	63	270
US Committee for UNFPA Trust Fund	-	300	-	4	304	121	-	4	125	179
USAID	-	210	-	4	214	180	-	9	189	25
MULTI BILATERAL	**33,588**	**60,036**	**(3,287)**	**3,776**	**96,111**	**52,930**	**630**	**3,308**	**55,668**	**40,443**
OTHER TRUST FUNDS										
Global Contraceptive Commodity Programme	5,847	-	-	449	6,296	2,257	-	(54)	2,203	4,093
International Conference on Population and Development	475	-	-	17	492	142	-	-	142	111

UNITED NATIONS POPULATION FUND

BIENNIUM 1998 - 1999

Schedule 6

Trust Funds - Statement of account for the biennium ended 31 December 1999

(Thousands of United States Dollars)

Trust funds	Unexpended balance as at 1 January 1998	Contributions received	Transfers and refunds	Interest, misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA reimbursable & support service costs	Total expenditure	Unexpended balance as at 31 December 1999
International Conference on Population and Development - 5	-	3,650	440	33	3,191	2,865	-	-	2,865	326
Office of Results-based Management (ORM)	-	46	96	-	183	90	-	-	90	53
Rafael M. Salas Endowment Fund	661	47	-	111	859	7	-	-	7	852
UN Foundation Support Office (UNFSO)	-	-	431	-	431	197	-	-	197	234
UN Population Award	737	-	-	98	835	74	-	-	74	761
OTHER TRUST FUNDS	7,921	3,644	3,575	920	22,256	9,658	-	(54)	9,598	8,660
PROCUREMENT SERVICES										
Algeria	283	-	-	32	315	191	-	11	180	325
[illegible]	19	-	[illegible]	-	-	-	-	-	-	-
Brazil	74	-	[illegible]	-	-	-	-	-	-	-
Canada	[illegible]	4,[illegible]	-	24	[illegible]	4,695	-	224	4,719	735
[illegible]	19	-	[illegible]	-	5	5	-	-	5	-
Denmark	[illegible]	-	[illegible]	-	-	-	-	-	-	-
European Economic Community	71	-	-	5	77	57	-	2	59	18
Finland	[illegible]	-	[illegible]	17	94	-	-	-	6	88

UNITED NATIONS POPULATION FUND

DP/FPA/1998 - 1999

Schedule 4

Trust Funds - Statement of account for the biennium ended 31 December 1999

(Thousands of United States Dollars)

Trust fund	Unexpended balance as at 1 January 1998	Contributions received	Transfers and refunds	Interest misc. income (expenditure) net	Total funds available	Project expenditure	Administrative and operational services	UNFPA reimbursable & support service costs	Total expenditure	Unexpended balance as at 31 December 1999
Germany	432	284		50	816	384	-	20	404	412
Ghana	1		(1)	-	-	-	-	-	-	-
Japan	2,191	49,714	(822)	857	52,926	19,890	-	1,994	41,884	11,042
Jamaica	2	454	-	4	460	419	-	13	432	32
Lebanon	-	378	(378)	3	-	-	-	-	-	-
Mali	-	512	-	4	516	467	-	24	511	5
Sri Lanka	249	960	-	75	1,284	494	-	35	731	572
Turks and Caicos Islands	1	-	(1)	-	-	-	-	-	-	-
United Kingdom	1,454	2,790	(514)	225	4,455	2,405	-	141	2,944	1,509
Viet Nam		44	(44)	1	-	-	-	-	-	-
INVESTMENT INCOME	4,708	60,000	(3,000)	3,320	66,350	49,215	-	2,452	51,667	14,573
TOTAL	47,667	333,697	(1,980)	6,026	376,606	307,797	630	4,506	333,933	61,675

UNITED NATIONS POPULATION FUND
BIENNIUM 1998 - 1999

Schedule 7
Investments as at 31 December 1999

(Thousands of United States dollars)

	Regular Resources		Other Resources	
	1999	1997	**1999**	1997
Interest bearing current accounts	-	16	-	-
Call accounts	-	356	-	-
Time deposits	**90,001**	84,050	**19,170**	13,496
Bonds and notes	-	52,171	**14,974**	1,498
Total (Note b/ below)	**90,001** statement II.1	136,593	**34,144** statement II.1	14,994

a/ The total investments figure under Regular Resources of $90.0 million (1997: $136.6 million) includes $59.5 million (1997: 39.7 million) held for Trust Funds (see Statement II.2).

b/ Investments for Other Resources relate to Trust Funds. see Statement II.2

Notes to the financial statements

Note 1
Mission statement

UNFPA extends assistance to developing countries, countries with economies in transition and other countries at their request to help them address reproductive health and population issues, and raises awareness of these issues in all countries, as it has since its inception.

The three main areas of the Fund's work are: to help ensure universal access to reproductive health, including family planning and sexual health, to all couples and individuals on or before the year 2015; to support population and development strategies that enable capacity-building in population programming; to promote awareness of population and development issues and to advocate for the mobilization of the resources and political will necessary to accomplish its areas of work.

UNFPA is guided by, and promotes, the principles of the Programme of Action of the International Conference on Population and Development (1994). In particular, UNFPA affirms its commitment to reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women everywhere. UNFPA believes that safeguarding and promoting these rights, and promoting the well-being of children, especially girl children, are development goals in themselves. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children as well as the right to the information and means to do so.

UNFPA is convinced that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of stabilizing world population. UNFPA believes that these goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends.

UNFPA recognizes that all human rights, including the right to development, are universal, indivisible, interdependent and interrelated, as expressed in the Programme of Action of the International Conference on Population and Development, the Vienna Declaration and the Programme of Action adopted by the World Conference of Human Rights, the Convention on Elimination of All Forms of Discrimination against Women, the Programme of Action of the World Summit for Social Development, the Platform for Action of the Fourth World Conference on Women and in other internationally agreed instruments.

UNFPA, as the lead United Nations organization for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development, is fully committed to working in partnership with Government, all parts of the United Nations system, development banks, bilateral aid agencies, non-governmental organizations and civil society. UNFPA strongly supports the United Nations resident coordinator system and the implementation of all relevant United Nations decisions.

UNFPA will assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the

Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Note 2
Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) **Income**

All income of UNFPA (including pledges from Governments, investment income and miscellaneous income, but excluding contributions to cost-sharing and trust funds and interest on inter-fund balance) is recorded on an accrual basis.

(b) **Expenditure**

All expenditure is accounted for on an accrual basis, except for that relating to staff entitlement and projects executed by Governments and by non-governmental organizations, which is accounted for on the basis of disbursements. Project expenditure includes unliquidated obligations raised by the executing agencies in respect of goods and services provided for in the project budgets for 1999 and contracted for by 31 December 1999.

(c) **Exchange rates**

Pledges made in currencies other than United States dollars are reported in the equivalent of United States dollars converted at the United Nations operational rate of exchange in effect on the date of the financial statements or, if paid, on the date of the payment.

Gains and losses resulting from exchange adjustments arising from payments of voluntary contributions are recorded as an offset to these contributions. Exchange gains and losses arising from collection of contributions pledged in a particular currency but paid in different currency are recorded as exchange adjustments on collection of contributions. All other exchange adjustments have been recorded as other income or other expenditure.

For the purposes of accounting for assets, liabilities and transactions and the maintenance of other financial records, other currencies are translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the report or transaction.

(d) **Capital expenditure**

The full cost of non-expendable equipment used for administrative purposes is charged to the UNFPA biennial budget in the year in which it is purchased. An inventory is maintained of all non-expendable equipment (defined as items of equipment valued at $1,500 or more a unit, and with a serviceable life of at least five years, and items of equipment included in any special lists, for which formal inventory records are maintained).

(e) Administrative and operational services, UNFPA reimbursable and support services costs and technical support services

Administrative and operational services expenditure represents the administrative support costs accruing to executing agencies incurred in the administration (technical and otherwise) of UNFPA-funded programmes and projects. The administrative and operational services costs of country projects are the percentage of annual project expenditures authorized by the Governing Council for the reimbursement of administrative and operational services. The administrative and operational services of inter-country projects are the real costs accruing to the executing agencies and are not a percentage of annual project expenditure.

UNFPA reimbursable and support services costs represent reimbursements for support services on Government-executed projects and procurement assistance provided by the UNFPA headquarters Procurement Unit in respect of government projects. Reimbursable and support services costs on multi-bilateral trust funds also include reimbursement for managerial and support services provided by UNFPA.

The amounts shown as technical support services includes the costs of technical support professionals, administrative support personnel and other related administrative costs.

These amounts are shown in statement I.1 and schedule 3.

(f) Reimbursable procurement

At its fortieth session in 1993, the Governing Council approved that funds received by UNFPA for procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations are accounted for as trust funds. These activities are shown as procurement services in schedule 6.

In line with that decision, UNFPA is fully paid in advance of the procurement activities for all costs connected with such procurement, including a procurement service fee at the rate established by the Executive Director. This procurement service fee, after deducting procurement expenses, is credited to the biennial support budget as income to the budget.

(g) Presentation of financial statements

Following the recommendation of the Administrative Committee on Coordination on the common inter-organization accounting standards and harmonized presentation of financial statements, UNFPA has adopted the recommended format and financial statements for the biennium ended 31 December 1999 and they are presented accordingly.

The main features of this harmonization involve the following activities:

(i) Regular resources: activities financed from voluntary contributions, interest earnings, donations and miscellaneous income;

(ii) Other resources: activities financed from resources other than regular resources, which are received for a specific programme purpose (cost-sharing, trust funds and procurement services);

(iii) For accounting presentation purposes the Reimbursable and support services and other special activity, namely, Junior Professional Officers Programme (JPOs) is included in Other resources.

Other reclassifications and changes in presentation have been made to reflect the nature of the operations and/or to better comply with the accounting standards. These changes have affected mainly:

1. *Cost-sharing*. Cost-sharing is now presented as part of Other resources with the inter-fund balance reflected as "Due from UNFPA regular resources" on statement II.2 and under "Due to other resources" in Regular resources on statement II.1. In prior bienniums, it was included in regular resources.

2. *Junior Professional Officers programme*. The Junior Professional Officers Programme is now presented as part of Other resources. The inter-fund balance is shown as "Due from regular resources" on statement II.2 and under "Due to other resources" in Regular resources on statement II.1. In the past, the net balance of this activity was reflected as a liability of regular resources.

3. *Reimbursable and support services*. Income earned from multi-bilateral trust funds and procurement services and expenditure incurred on procurement services activities are reflected through the statement of income and expenditure. The net income is reflected as a transfer to the biennial support budget of the Regular resources, as income to the budget.

(h) **Non-consolidated financial statements**

The results of the operations reflected in statements I to IV are presented on the basis of the two major components explained above in note 2 (g).

The totals for each major component are shown only for the purpose of reflecting the component's aggregate data. Identified inter-activities/inter-fund balances (within each component) in the balance sheet have been eliminated in computing these totals. Other inter-fund transactions are not eliminated. Therefore, these aggregates are not intended to and do not reflect consolidated amounts, which would have required elimination of all inter-fund transactions and balances within each component.

(i) **Determination of certain balance sheet items**

Owing to the nature of the activities, certain transactions relating to cost-sharing and trust funds are commingled in the regular resources accounts (investment, deferred charges, operating funds with United Nations agencies, etc.). Whenever possible, the balances of these accounts, as at 31 December 1999, and the comparatives have been apportioned essentially on the basis of the best available information. The accounts not apportioned have been reflected in the inter-fund account balances.

Note 3
Pledges receivable from Governments

Contributions to general resources pledged by Governments for current and prior years that had not been paid by 31 December 1999 were as follows (in thousands of United States dollars):

1995 and prior years	222
1996	142
1997	176
1998	214
1999	946
Total (statement II.1)	**1 700**

As of 31 March 2000, none of the above pledges receivable had been paid. However, contributions of $34,102,928 against 2000 pledges have been received.

Note 4
Reimbursable and support services: other resources

The income of $4.5 million (1997: $2.7 million) on statement I.2 represents support cost income earned from trust funds and procurement services and managerial and support services income from trust funds.

The Executive Board at its third regular session in 1998 approved the establishment of a managerial and support services charge to be levied at a rate of 5 per cent on all multi-bilateral activities, effective 1 January 1999 (decision 99/22). In accordance with this decision, UNFPA has charged the multi-bilateral trust funds with management and support services cost of $0.3 million and it is included in the income for reimbursable and support services of $4.5 million (statement I.2) and this income is credited to the biennial support budget (note 6).

For the biennium ended 31 December 1999, procurement service fees of $2.4 million (1997: $1.5 million) were earned and included in the income of UNFPA Reimbursable and support service in statement I.2. In the previous biennium, this income was netted off against expenditure and the net amount was reflected in Other income and expenditure. However, in accordance with decision (97/26), adopted by the Executive Board at its third regular session 1997, the net income from reimbursable procurement services is now credited to the biennial support budget as income to the budget (schedule 5 and note 6). During the biennium ended 31 December 1999, the expenditure incurred for procurement services totalled $0.6 million (1997: $0.9 million). Therefore, the net income of $1.8 million has been credited to the biennial support budget (see schedule 5).

Note 5
Unspent allocations

Regular resources

Unspent allocations as at 31 December 1999 issued against the General Fund of UNFPA for projects and for technical support services amount to $436 million, as follows (in thousands of United States dollars):

	1999	*Future years*	*Totals*
Projects (schedule 4)	58 106	340 290	398 396
Technical support services (schedule 4.1)	4 534	33 278	37 812
Total	**62 640**	**373 568**	**436 208**

As of 31 December 1999, there is no available Regular resources and therefore, the unspent allocations of $436 million is in excess of resources. Of the allocations for future years, $278 million relate to 2000.

However, as per the financial regulations and rules, allocations shall always be subject to the availability of resources.

Trust funds

The total balance of unspent allocations and available Trust Fund resources as at 31 December 1999 are as follows (in thousands of United States dollars):

	Available resources	*Unspent allocations*
Trust Funds — General	57 372	32 651
Global Contraceptive Commodity Programme	4 303	6 515
Total	**61 675**	**39 166**

The unspent allocations of $39 million includes future years' allocations of $8.4 million. Of future years' allocations, $7.5 million relate to 2000.

Note 6
Biennial support budget

Credits to biennial support budget expenditure in schedule 5 consist of administrative, and programme support services expenditure in schedule 6 consist of (in thousands of United States dollars):

	1998-1999	1996-1997
Support cost for Government-executed projects (schedule 3)	6 110	6 043
Support cost reimbursed from procurement assistance in respect of Government projects (schedule 3)	2 929	3 631
Subtotal	**9 039**	**9 674**
Support cost and Management support service cost for projects under trust fund arrangements (schedule 6)	2 108	1 162
Support cost for Procurement Services projects — net (schedule 6 and note 4)	1 816	-
Reimbursement of income tax charges	1 973	-
Total	**14 936**	**10 836**

The 1998-1999 biennial support budget was presented to and approved by the Executive Board in September 1997 (DP/FPA/1997/14, decision 97/26). This budget was the first to be prepared in the harmonized format agreed by the governing bodies of UNDP, UNFPA and UNICEF. UNFPA has made every effort to prepare its financial statements in accordance with agreed definitions and classification of activities. Included in the agreed format was specific treatment for the reimbursement of income taxes which requires that the total of amounts paid by the organizations for national income tax be credited back to the biennial support budget and deducted from the respective Governments' contributions to the organization.

In 1998, UNFPA made the decision to defer implementation of this aspect of harmonization as it pertains to the financial statements. However, UNFPA has decided to implement the complete harmonization and reflect this treatment in the current statements for the biennium 1998-1999.

As the United States of America provided a contribution to UNFPA in 1998 and most of the staff members to whom the income tax needs to be reimbursed are United States nationals, the reimbursement of income taxes to nations of certain States, which totalled $2 million in 1998, has been reflected as a credit to the 1998-1999 biennial support budget. The contribution of the United States has been consequently reduced by the same amount.

Note 7
Non-convertible currencies pending United States dollar credit from the United Nations Development Programme

The provision for asset write-off of non-convertible currencies $30,000 was made in 1997 to reflect the overvaluation of the former Czechoslovakian currency korunas against the United Nations rate of exchange. It is reflected on schedule 2 as provision for assets write-down.

Note 8
Accounts receivable and payable

(a) Accounts receivable and deferred charges

For regular resources, the other accounts receivable and deferred charges as shown in statement II.1 consist of the following (in thousands of United States dollars):

	1999	*1997*
Advances to staff and consultants	1 456	484
Deferred charges	78	249
Miscellaneous accounts receivable	670	-
Total	**2 204**	**733**

(b) Accounts payable — regular resources

Accounts payable shown in statement II consists of the following (in thousands of United States dollars):

	1999	*1997*
Unliquidated obligations of the biennial budget	10 005	4 185
Cash received awaiting clarification[a]	752	37
Field office accounts payable	11	-
Miscellaneous accounts payable	1 456	113
Total	**12 224**	**335**

[a] Amounts received, but not identified as to purpose, are held as accounts payable until identified, at which time they are recorded appropriately.

Note 9
Unliquidated obligations of the United Nations Population Fund

The balance of unliquidated obligations consists of (in thousands of United States dollars):

	1999	1997
Executing agencies (excluding UNFPA)	3 400	5 071
UNFPA	38 274	45 755
Total	**41 674**	**50 826**
This total is reported as follows:		
Regular resources (statement II.1)	20 634	40 797
Trust Funds and Procurement services (statement II.2)	21 029	10 029
Reimbursable support services (statement II.2)	11	-
Total	**41 674**	**50 826**

Note 10
Global Contraceptive Commodity Programme

At its first regular session of 1996, the Executive Board approved the establishment of a Global Contraceptive Commodity Programme, to be managed as a trust fund. In accordance with that decision, $5 million was transferred from unexpended general resources to the Global Contraceptive Commodity Programme in 1996. In 1997, UNFPA received additional contributions of $1,667 towards the Programme. The movements in this trust fund are included in "Other trust funds" in schedule 6.

Note 11
Reserve for field accommodation

At its thirty-eighth session in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992-1993, as shown in statement II, and authorized the UNFPA Executive Director to make drawdowns from it for the purpose of financing the share of construction costs of common premises under the auspices of the Joint Consultative Group on Policy.

During 1994, $1 million was advanced to UNDP towards the cost of construction of common premises. During the biennium 1998-1999 the amount of $97,149 was reimbursed to UNDP, which represents a partial settlement for construction costs on the United Nations building in Mali and Maldives.

Note 12
Operational reserve

At the thirty-sixth session of the Governing Council in 1989, the level of the operational reserve was set at $45 million. At the thirty-eighth session, the Council decided that the level of the operational reserve should be set at 20 per cent of the regular resources income for each year of the UNFPA work plan and that the level of the reserve would be reviewed every other year.

In accordance with that decision, the operational reserve was reduced to the level of $56 million at the end of 1998 and to $50 million at the end of 1999. Due to the shortfall in resources in the 1998-1999 biennium, UNFPA drew down from the operational reserve by $26 million, leaving a balance of $24 million (statement II.1).

Note 13
Junior Professional Officers programme

The balance of funds from the Government of Canada for the Junior Professional Officers programme was $117,000 at the beginning of the biennium. This amount is reflected as fund balance, 1 January. Income and expenditure during the biennium are reflected in statement I.2, with the ending balance reflected in the "Unexpended resources" balance.

Income for the biennium was $205,000 ($222,000 in 1997) and expenditure of $195,000 ($311,000 in 1997) was disbursed, leaving a balance of $127,000 ($117,000 in 1997), as shown in statement II.2. Fees due for the administration of the Junior Professional Officers programme, amounting to $100,000 for the 1993-1998 period, were waived for collection by the Executive Director.

Note 14
Special population programmes

At its seventeenth session in 1974, the Governing Council authorized UNFPA to receive cash remittances from Governments and to transfer them to designated special population programmes. During the biennium ended 31 December 1999, UNFPA received and transferred cash remittances of $64.2 million, as follows (in thousands of United States dollars):

Recipient	*Donors*			
	Netherlands	*Norway*	*Japan*	*Total*
International Planned Parenthood Federation	3 918	-	57 600	61 518
Population Council	485	663	1 000	2 148
International Union for Scientific Study of Population	122	265	-	387
International Council on the Management of Population Programmes	-	159	-	159
Total	**4 525**	**1 087**	**58 600**	**64 212**

These amounts are not reflected in the financial statements.

Note 15
Non-expendable property

As at 31 December 1999, the estimated historic cost of non-expendable property at headquarters was $2.9 million ($2.8 million in 1997) and at country offices was $7.7 million ($6.2 million in 1997). This does not include assets purchased for project activities.

Note 16
Stocks

As at 31 December 1999, UNFPA owned stocks of contraceptives at cost of $820,000 ($432,000 in 1997), which are held at the manufacturer's premises as part of the Global Contraceptive Commodity Programme.

Note 17
Future commitments

The contingent liability resulting from termination benefits that UNFPA may be required to pay to its staff members in future years was estimated as at 31 December 1999 to be $4 million ($4 million in 1997) with respect to repatriation grants and $0.9 million ($1 million in 1997) with respect to termination indemnity.

Costs relating to annual leave due as at 31 December 1999 are estimated at $4.3 million ($3.8 million in 1997).

Note 18
Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date.

Note 19
Contingent financial liabilities

UNFPA has not specifically accrued for after-service health insurance costs, which will be owed when staff members leave the organization. In order to gain a better understanding of the financial dimensions of the organization's liabilities for after-service health insurance, a consulting actuary will be engaged to carry out an actuarial valuation of post-retirement health insurance as at 1 January 2001.